

HEALTH SERVICES AND DEVELOPMENT AGENCY

JUNE 24, 2015

APPLICATION SUMMARY

NAME OF PROJECT: Baptist Memorial Medical Group, Inc. d/b/a Baptist Medical Group

PROJECT NUMBER: CN1503-010

ADDRESS: 2100 Exeter Road
Germantown (Shelby County), TN 38138

LEGAL OWNER: Baptist Memorial Medical Group, Inc.
350 N. Humphreys Blvd.
Memphis (Shelby County), TN 38120

OPERATING ENTITY: NA

CONTACT PERSON: Arthur Maples

DATE FILED: March 13, 2015

PROJECT COST: \$1,262,000.00

FINANCING: Cash Reserves

PURPOSE FOR FILING: Initiation of MRI services

DESCRIPTION:

Baptist Memorial Medical Group, Inc. d/b/a Baptist Medical Group (BMG), a multi-specialty physician group formed as a Tennessee non-profit corporation in September 1993 and a wholly owned subsidiary of Baptist Memorial Health Care Corporation, is seeking approval to initiate magnetic resonance imaging (MRI) services. This is, in effect, a change in ownership and operational management of the existing MRI service approved in Memphis Rehab Associates, L.P. d/b/a Baptist Rehabilitation-Germantown, CN9812-084A (hospital). Other than the transfer of operation of the MRI service from the hospital to the applicant medical group, the project will not change the location of the existing MRI unit (*entrance on 1st floor of the hospital campus*) or add any new medical equipment or services requiring CON approval. Additionally, the project will not change the ownership of the land, building or the MRI unit since both the applicant and the hospital are wholly owned subsidiaries of Baptist Memorial Health Care Corporation. As

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confirmed by the applicant in Items 3 and 6 of the March 27, 2015 supplemental response, Baptist Rehabilitation-Germantown will voluntarily surrender CN9812-084A once the project is approved and the MRI service is initiated by Baptist Medical Group.

CRITERIA AND STANDARDS REVIEW

MAGNETIC RESONANCE IMAGING SERVICES

1. Utilization Standards for non-Specialty MRI Units.

- a. An applicant proposing a new non-Specialty stationary MRI service should project a minimum of at least 2160 MRI procedures in the first year of service, building to a minimum of 2520 procedures per year by the second year of service, and building to a minimum of 2880 procedures per year by the third year of service and for every year thereafter.

As noted, the hospital received CON approval in CN9812-084A to initiate an MRI service on its campus. The equipment is an existing Siemens 1.5 Tesla Magnetom Espree unit acquired in July 2009 (Item 7 of the 3/27/15 supplemental response)

The historical utilization of the hospital MRI service was 1,622 procedures in CY2011, 1,596 in CY2012 and 1,212 in CY2013, a decrease of approximately 25%. The applicant states the hospital unit performed 1,107 procedures in CY2014. If approved, the proposed Baptist Medical Group MRI services projects 2,560 procedures in Year 1 increasing by 3% to 2,637 procedures in Year 2. The projected utilization of BMG's new MRI service will exceed the standard for a new service in both the first and second year of the service.

It appears that the applicant will meet this criterion.

- b. Providers proposing a new non-Specialty mobile MRI service should project a minimum of at least 360 mobile MRI procedures in the first year of service per day of operation per week, building to an annual minimum of 420 procedures per day of operation per week by the second year of service, and building to a minimum of 480 procedures per day of operation per week by the third year of service and for every year thereafter.

- c. An exception to the standard number of procedures may occur as new or improved technology and equipment or new

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diagnostic applications for MRI units are developed. An applicant must demonstrate that the proposed unit offers a unique and necessary technology for the provision of health care services in the Service Area.

d. Mobile MRI units shall not be subject to the need standard in paragraph 1 b if fewer than 150 days of service per year are provided at a given location. However, the applicant must demonstrate that existing services in the applicant's Service Area are not adequate and/or that there are special circumstances that require these additional services.

e. Hybrid MRI Units. The HSDA may evaluate a CON application for an MRI "hybrid" Unit (an MRI Unit that is combined/ utilized with medical equipment such as a megavoltage radiation therapy unit or a positron emission tomography unit) based on the primary purposes of the Unit.

The criteria identified in items 1.b – 1.e above are not applicable to the applicant's proposed MRI service.

2. Access to MRI Units. All applicants for any proposed new MRI Unit should document that the proposed location is accessible to approximately 75% of the Service Area's population. Applications that include non-Tennessee counties in their proposed Service Areas should provide evidence of the number of existing MRI units that service the non-Tennessee counties and the impact on MRI unit utilization in the non-Tennessee counties, including the specific location of those units located in the non-Tennessee counties, their utilization rates, and their capacity (if that data are available).

As a multi-specialty medical group with over 500 physicians and offices in West Tennessee, East Arkansas and North Mississippi, the Tennessee portion of the applicant's primary service area consists of Shelby, Fayette, and Tipton Counties. The applicant believes the PSA is reasonable based on utilization of the current hospital service by residents of the PSA and overlap with the geographic service area of the medical group. Residents of the 3 counties accounted for approximately 96% of total MRI volumes at the hospital in CY2013.

It appears that this criterion has been met.

3. Economic Efficiencies. All applicants for any proposed new MRI Unit should document that alternate shared services and lower cost technology applications have been investigated and found less advantageous in terms of accessibility, availability, continuity, cost, and quality of care.

The project does not seek approval to add a new MRI unit to the service area. The proposed change focuses on transfer of operational management of the MRI service approved in CN9812-084A from Baptist Rehabilitation-Germantown (BRG) to the applicant medical group with no change in location of the service, new equipment or other new services. The applicant considered other scenarios such as transfer to the hospital campus of Baptist Memorial Hospital-Memphis (located approximately 6 miles from BRG) to complement the 3 existing fixed MRI units at that location. However, this proposal was preferred as a means to improve operational efficiencies of an existing clinical resource without impacting access by residents of the service area.

It appears that the applicant meets this criterion.

4. Need Standard for non-Specialty MRI Units.

A need likely exists for one additional non-Specialty MRI unit in a Service Area when the combined average utilization of existing MRI service providers is at or above 80% of the total capacity of 3600 procedures, or 2880 procedures, during the most recent twelve month period reflected in the provider medical equipment report maintained by the HSDA. The total capacity per MRI unit is based upon the following formula:

Stationary MRI Units: $1.20 \text{ procedures per hour} \times \text{twelve hours per day} \times 5 \text{ days per week} \times 50 \text{ weeks per year} = 3,600 \text{ procedures per year}$

Mobile MRI Units: $\text{Twelve (12) procedures per day} \times \text{days per week in operation} \times 50 \text{ weeks per year}$. For each day of operation per week, the optimal efficiency is 480 procedures per year, or 80 percent of the total capacity of 600 procedures per year.

The subject of the application is an existing MRI unit approved in Baptist Rehabilitation-Germantown, CN9812-084A and will not increase the inventory of MRI units in the primary service area. However, as documented by the applicant in the supplemental responses and reflected in the TDH summary report, the combined average utilization for all providers in the service area during the most recent year HSDA Equipment Registry data is available (CY2013) was approximately 2,668 MRI procedures or 93% of the 2,880 procedures/unit standard. The combined utilization amounts to approximately 2,862 procedures per unit or 99.4% of the standard when excluding the 1 day per week mobile unit at Methodist Healthcare-Fayette Hospital, the new unit at Baptist Memorial Hospital for Women and units primarily used for pediatric patient imaging at St Jude Children's Hospital and Baptist Memorial Hospital-Tipton.

It appears the applicant substantially meets this criterion.

5. Need Standards for Specialty MRI Units.

- a. Dedicated fixed or mobile Breast MRI Unit. An applicant proposing to acquire a dedicated fixed or mobile breast MRI unit shall not receive a CON to use the MRI unit for non-dedicated purposes and shall demonstrate that annual utilization of the proposed MRI unit in the third year of operation is projected to be at least 1,600 MRI procedures (.80 times the total capacity of 1 procedure per hour times 40 hours per week times 50 weeks per year), and that:
 1. It has an existing and ongoing working relationship with a breast-imaging radiologist or radiology proactive group that has experience interpreting breast images provided by mammography, ultrasound, and MM unit equipment, and that is trained to interpret images produced by an MRI unit configured exclusively for mammographic studies;
 2. Its existing mammography equipment, breast ultrasound equipment, and the proposed dedicated breast MRI unit are in compliance with the federal Mammography Quality Standards Act;
 3. It is part of or has a formal affiliation with an existing healthcare system that provides comprehensive cancer care, including radiation oncology, medical oncology, surgical oncology and

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an established breast cancer treatment program that is based in the proposed service area.

4. It has an existing relationship with an established collaborative team for the treatment of breast cancer that includes radiologists, pathologists, radiation oncologists, hematologist/oncologists, surgeons, obstetricians/gynecologists, and primary care providers.

This criterion does not apply to the project.

- b. Dedicated fixed or mobile Extremity MR1 Unit. An applicant proposing to institute a Dedicated fixed or mobile Extremity MR1 Unit shall provide documentation of the total capacity of the proposed MR1 Unit based on the number of days of operation each week, the number of days to be operated each year, the number of hours to be operated each day, and the average number of MR1 procedures the unit is capable of performing each hour. The applicant shall then demonstrate that annual utilization of the proposed MRI Unit in the third year of operation is reasonably projected to be at least 80 per cent of the total capacity. Non-specialty MRI procedures shall not be performed on a Dedicated fixed or mobile Extremity MRI Unit and a CON granted for this use should so state on its face.

This criterion does not apply to the project.

- c. Dedicated fixed or mobile Multi-position MRI Unit. An applicant proposing to institute a Dedicated fixed or mobile Multi-position MRI Unit shall provide documentation of the total capacity of the proposed MRI Unit based on the number of days of operation each week, the number of days to be operated each year, the number of hours to be operated each day, and the average number of MRI procedures the unit is capable of performing each hour. The applicant shall then demonstrate that annual utilization of the proposed MRI Unit in the third year of operation is reasonably projected to be at least 80 per cent of the total capacity. Non-specialty MRI procedures shall not be performed on a Dedicated fixed or mobile Multi-position MRI Unit and a CON granted for this use should so state on its face.

This criterion does not apply to this application.

6. Separate Inventories for Specialty MRI Units and non-Specialty MRI Units.

This criterion does not apply to this application.

7. Patient Safety and Quality of Care. The applicant shall provide evidence that any proposed MRI Unit is safe and effective for its proposed use.

- a. The United States Food and Drug Administration (FDA) must certify the proposed MRI Unit for clinical use.

Documentation from the Food and Drug Administration, Department of Health and Human Services, was provided in the March 27, 2015 supplemental response confirming that the unit was registered and approved for use on or about July 21, 2004 in accordance with FDA certification requirements.

It appears that this criterion has been met.

- b. The applicant should demonstrate that the proposed MRI Procedures will be offered in a physical environment that conforms to applicable federal standards, manufacturer's specifications, and licensing agencies' requirements.

The project does not involve construction or related changes to the physical location of the existing MRI service on the hospital campus of Baptist Rehabilitation-Germantown. The applicant confirmed that the MRI unit acquired as a result of CN9812-084A is being operated in a physical environment that conforms to federal manufacturer standards.

It appears that this criterion has been met.

- c. The applicant should demonstrate how emergencies within the MRI Unit facility will be managed in conformity with accepted medical practice.

As noted, the applicant's proposed MRI service will remain at its present location on the hospital campus of Baptist Rehabilitation-Germantown. The applicant states that emergencies will continue to be managed by existing staff of the MRI service and the radiologists of Mid-South Imaging and Therapeutics, P.A, under the medical supervision of Frank Eggers, M.D., who currently serves at the hospital (a copy of Dr. Eggers CV was provided in Supplemental 1). In addition, Don Hubbard, M.D. will provide oversight, direction and monitoring for all radiology services

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of Baptist Medical Group (BMG) physician owned practices in his capacity as the Director of Radiology for BMG (Item 5, 3/27/15 supplemental response).

It appears that this criterion has been met.

- d. The applicant should establish protocols that assure that all MRI Procedures performed are medically necessary and will not unnecessarily duplicate other services.

The applicant plans to continue use of the existing process pertaining to the method for obtaining prior approval for patient MRI services. The applicant will follow established protocol to ensure that MRI procedures are performed only when medically necessary.

It appears that this criterion has been met.

- e. An applicant proposing to acquire any MRI Unit or institute any MRI service, including Dedicated Breast and Extremity MRI Units, shall demonstrate that it meets or is prepared to meet the staffing recommendations and requirements set forth by the American College of Radiology, including staff education and training programs.

The applicant documented that the MRI unit is accredited by the American College of Radiology and will continue to maintain active accreditation.

It appears that this criterion has been met.

- f. All applicants shall commit to obtain accreditation from the Joint Commission, the American College of Radiology, or a comparable accreditation authority for MRI within two years following operation of the proposed MRI Unit.

As noted in the preceding item, the applicant states that it will maintain accreditation by the ACR.

It appears that this criterion has been met.

- g. All applicants should seek and document emergency transfer agreements with local area hospitals, as appropriate. An applicant's arrangements with its physician medical director must specify that said physician be an active member of the subject transfer agreement hospital medical staff.

As noted in the application, the MRI service is located on an existing hospital campus and is within 2.5 miles of the new 49-bed rehabilitation hospital approved in Baptist Memorial Rehabilitation Hospital, CN1212-061A. The applicant confirms that established emergency transfer agreements will continue.

It appears that this criterion has been met.

8. The applicant should provide assurances that it will submit data in a timely fashion as requested by the HSDA to maintain the HSDA Equipment Registry.

The applicant indicates data will continue to be submitted to the HSDA Equipment Registry within the expected time frame.

It appears that this criterion has been met.

9. In light of Rule 0720-11.01, which lists the factors concerning need on which an application may be evaluated, and Principle No. 2 in the State Health Plan, "Every citizen should have reasonable access to health care," the HSDA may decide to give special consideration to an applicant:

- a. Who is offering the service in a medically underserved area as designated by the United States Health Resources and Services Administration; or

All or portions of the 3-county service area are located in Medically Underserved Areas designated by the Health Resources and Services Administration.

The applicant meets this criterion.

- b. Who is a "safety net hospital" or a "children's hospital" as defined by the Bureau of TennCare Essential Access Hospital payment program; or

The criterion does not apply to this application.

- c. Who provides a written commitment of intention to contract with at least one TennCare MCO and, if providing adult services, to participate in the Medicare program; or

The applicant states that Baptist Medical Group participates in Medicare and Medicaid and is contracted with TennCare MCOs, including

Amerigroup, United Healthcare of River Valley and BlueCross/Blue Shield of Tennessee.

It appears that the applicant meets this criterion.

- d. Who is proposing to use the MRI unit for patients that typically require longer preparation and scanning times (e.g., pediatric, special needs, sedated, and contrast agent use patients). The applicant shall provide in its application information supporting the additional time required per scan and the impact on the need standard.

It appears that this criterion does not apply to the project.

Staff Summary

The following information is a summary of the original application and all supplemental responses. Any staff comments or notes, if applicable, will be in bold italics.

Baptist Medical Group (BMG) seeks approval to transfer the operational management of the existing MRI service approved in Baptist Rehabilitation-Germantown, CN9812-084A, from the hospital to the applicant medical group. Ownership of the existing MRI equipment will transfer between 2 entities that are wholly owned subsidiaries of Baptist Memorial Health Care Corporation. The project does not involve a change in location or the addition of any new medical equipment or services.

As a private physician practice, Baptist Medical Group's proposed MRI service does not require licensure by the Tennessee Department of Health. As such, the applicant anticipates that MRI services can be implemented within 60 days of approval of the application in June 2015. The hours of operation will be 7:30 AM to 5:00 PM Monday through Friday with expanded or weekend shifts scheduled as necessary.

Overview

The existing MRI service at Baptist Rehabilitation-Germantown (BRG) was approved in CN9812-084A. The unit went into operation in the fall of 1999 and exceeded the former MRI standard for utilization (2,200 procedures per unit) in its second year of operation. The original unit was upgraded with a replacement 1.5 Tesla scanner in 2009 and has an estimated remaining useful life of approximately 5 years (*note: for additional information about the MRI service, please see Item 10 of the 3/27/15 supplemental response*).

With respect to other related projects, the applicant notes that BRG recently relocated 49 of 50 licensed beds to a new rehabilitation hospital recently

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constructed at 1240 South Germantown Road approximately 2.5 miles from BRG as approved in Baptist Memorial Rehabilitation Hospital, CN1212-061A. The new 49 bed rehabilitation hospital is an all private room facility that focuses on providing "Center of Excellence" specialized clinical programs for medically complex patients, including patients suffering from stroke, neurological disorders and traumatic brain injuries. The new hospital was licensed by TDH effective September 25, 2014. As a part of CN1212-061A, BRG also de-licensed 49 of 50 acute beds and placed its 18-bed skilled nursing facility approved in CN1001-004A on inactive status per approval by TDH (Source: MRI Standards and Criteria, Exhibit 1, 3/27/15 supplemental response).

BRG remains open with 1 licensed medical-surgical bed and continues to provide outpatient services to the community, including services through Baptist Germantown Surgery Center, a multi-specialty ambulatory surgical treatment center (ASTC) with 5 operating rooms located in dedicated space on the hospital campus. The ASTC is Joint Commission accredited and was licensed by TDH in July 2000 (*per the provider Joint Annual Report, the ASTC performed approximately 9,400 procedures for 2,950 unduplicated patients during the 2014 calendar year period*).

The applicant states that Baptist Memorial Health Care Corporation is developing plans for future uses of the former rehabilitation hospital focusing on improving access and meeting health care needs in an economically efficient manner within a framework of evolving federal policies.

Ownership

Baptist Medical Group is a Tennessee non-profit corporation formed in September 1993. The multi-specialty physician medical group has more than 500 physician members and is a wholly owned subsidiary of Baptist Memorial Health Care Corporation (BMHC), which also owns Baptist Rehabilitation-Germantown (BRG), the existing site of the medical group's proposed MRI service. Related highlights pertaining to the ownership of the applicant and Baptist Memorial Health Care Corporation are as follows:

- Baptist Medical Group's (BMG) Board of Directors is ultimately responsible for oversight of the applicant's proposed MRI service. The board is comprised of 19 BMG physicians and 3 BMHC executives.
- BMG multi-specialty physicians practice from offices located across West Tennessee, North Mississippi and East Arkansas. Specialties include family practice, internal medicine, primary care, oncology, GI, and orthopedics.
- BMG has an 80% ownership in one other MRI service. The service was recently approved under West Tennessee Imaging, CN1403-008A and has not yet been implemented (*note: a brief description of the project and its current status is provided at the end of this summary*).

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- Per Item 1 of the 3/27/15 supplemental response, Baptist Memorial Health Care Corporation has financial interests in multiple health care entities in West Tennessee, including 8 hospitals, 7 ASTCs, and 4 home health agencies.
- With respect to MRI only, providers owned by BMHC operate 7 fixed units in Shelby County and 3 fixed units in other West Tennessee Counties.
- Dr. Don Hubbard, a board certified radiologist with over 30 years of experience in radiology, serves as BMG's Director of Radiology (*note: a brief summary of Dr. Hubbard's experience and qualifications is provided in Item 5 of the 3/27/15 supplemental response*).

Facility and MRI Equipment Information

Key highlights of the applicant's proposed MRI service are noted below.

- Baptist Medical Group will lease the existing 1,200 square foot space being used on the first floor by the imaging department of Baptist Rehabilitation-Germantown. No new construction or renovation is required.
- A contingency cost of \$75,000 is included in the total project cost for any minor clean-up or cosmetic needs that might be necessary.
- The existing MRI service approved in CN9812-084A utilizes a 1.5 Tesla unit manufactured by Siemens. As noted, records of BMHC reflect that the hospital MRI service has performed approximately 30,420 total MRI scans from 1999-2014.
- The proposed transfer of the MRI service to the applicant is expected to improve utilization through increased referrals and use of an integrated electronic medical record system. Referrals by specialty for Year 1 are shown in the table on Item 12 of Supplemental 1.
- Radiologists of Mid-South Imaging and Therapeutics, P.A. will continue to provide medical supervision and imaging interpretation services on a contractual basis for the applicant's proposed MRI service.
- The applicant will bill for MRI procedures on a global basis inclusive of technical and professional (imaging interpretation) fees.
- Other than MRI, outpatient services will continue to be provided on the hospital campus of Baptist Rehabilitation-Germantown. An existing ASTC is also located on the hospital campus.
- Emergency services are within 5-8 miles at nearby acute care hospital Emergency Departments.

Project Need

The applicant states that the certificate of need for continuation of MRI service approved in CN9812-084A under new ownership and management by Baptist Medical Group is needed for the following reasons:

- To meet HSDA requirements that address replacing previously approved and implemented certificates of need due to a change in ownership.

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- To continue access by residents of Shelby, Fayette and Tipton Counties in Tennessee who are patients of a large multi-specialty medical group practice.
- To adhere to Baptist Health Care Corporation's commitment to adapting and adjusting its network of facilities and services focused on meeting changing health care needs.
- To continue to provide MRI service at an affordable, all inclusive "global fee" that is lower by comparison to other similar providers and is below the 1st Quartile average gross charge of \$1,570 per MRI procedure reflected in HSDA Equipment Registry records.
- To continue access by patients enrolled in Medicare and Medicaid at rates similar to the historical utilization of the hospital MRI service.

Service Area Demographics

Baptist Medical Group's primary service area (PSA) includes Shelby, Tipton and Fayette Counties. Residents of the PSA accounted for 958 of 1,212 total MRI procedures performed by Baptist Rehabilitation-Germantown in 2013. Highlights of the applicant's proposed service area are provided as follows:

- The total population of the PSA is estimated at 1,053,153 residents in calendar year (CY) 2015 increasing by approximately 1.7% to 1,070,640 residents in CY 2019.
- The overall Tennessee statewide population is projected to grow by 3.7% from 2015 to 2019.
- Residents age 65 and older account for approximately 12.2% of the total PSA population compared to 15.2% statewide.
- The age 65 and older resident population is expected to increase by 15.5% compared to 12% statewide from CY2015 - CY2019.
- The median age in the PSA is 37 compared to age 33 statewide.
- The number of residents enrolled in TennCare is approximately 28% of the total PSA population compared to 18.1% statewide.

Historical and Projected Utilization

Projected utilization will build upon the historical volumes of the Baptist Rehabilitation-Germantown MRI service and is expected to increase due to a number of factors that were highlighted in Item 4 of Supplemental 2 such as the large saturation of BMG office locations across the service area, flexibility in scheduling with other hospitals in the Baptist Memorial Health Care system, and integrated care coordination measures within the medical group. Residents of the primary service area may account for approximately 79% or greater of BMG's total projected MRI procedures in the first year of the project. Additional key factors that apply to the projected utilization of the MRI service are as follows:

- No changes in practice site, equipment or service area.

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- Continued wide-range of clinical applications from referrals by multi-specialty physicians of BMG such as scans of the spine, chest, upper/lower extremities and the brain.
- Continued participation in major health insurance contracts available in West Tennessee, including TennCare MCO plans, through participation in the BMHC network of facilities and services
- Continuity of care through use of BRG's integrated medical record implemented in March 2015. Integrated scheduling and patient accounts management system support.

The historical and projected MRI utilization is shown in the table below.

Table 1- Applicant's Historical and Projected Utilization

2011	2012	2013	2014	% Change '11-'14	Year 1	Year 2
1,622	1,596	1,212	1,107	-32%	2,560	2,637

Sources: HSDA Equipment Registry, Projected Data Chart, CN1503-010

The inventory and 3 year utilization trend of existing MRI providers and their use by residents of the primary service area (PSA) was identified in the application and ultimately clarified in Item 6 of Supplemental 2.

A snapshot of provider MRI utilization trends in the PSA from 2011-2013 is shown in the 2 tables below. The first table highlights MRI utilization by county residence of origin from 2011-2013. The second table shows the combined historical provider utilization by county as documented in the HSDA Equipment Registry. The utilization used for this table is condensed from the table provided for Item 11 (Historical Utilization) in Supplemental 1.

MRI Utilization Trend by Residents of Applicant's PSA

County	Resident Procedures 2011	Resident Procedures 2012	Resident Procedures 2013	% Change '11-'13
Shelby	73,943	71,878	69,647	-5.8%
Fayette	2,818	2,983	3,373	19.7%
Tipton	5,753	5,641	5,816	1.1%
Total	82,514	80,502	78,836	-4.5%

MRI Volumes by Providers Located in Applicant's PSA, 2011-2013

County	MRI Units	Total Provider MRI Scans 2011	Total Provider MRI Scans 2012	Total Provider MRI Scans 2013	% Change '11-'13	Resident Scans by County of Origin* 2013

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Shelby	39 fixed**	113,591	110,952	108,579	-4.4%	69,647
Fayette	1 mobile** *	324	271	204	-37%	3,373
Tipton	1 fixed	1,143	1,265	1,153	1%	5,816
Total Provider MRI Scans	41 units	115,058	112,488	109,936	-4.3%	78,836
BMHC Hospital MRI Scans	8 fixed (includes 1 shared)	17,293	17,158	15,923	-7.9%	12,018

Notes: * excludes St Jude Children's Hospital & Delta Medical Center utilization by patient origin- these hospitals do not track patient origin information. **Four of the 39 fixed MRI units in Shelby County are shared use arrangements between providers. *** Methodist Healthcare-Fayette ceased operations in March 2015.

Source: HSDA Equipment Registry and reconciliation for staff summary on 6/5/15

The tables reflect the following:

- Total provider utilization declined slightly by approximately 4.3% from 115,058 total procedures in 2011 to 109,936 total procedures in 2013 (2,668 procedures per unit). *Note: there is a slight difference from TDH sum table due to the utilization identified for the West Clinic. HSDA records show that the provider performed 1,287 MRI procedures in 2013.*
- The combined utilization of the 7 MRI units operated by hospital members of the Baptist Memorial Health Care Corporation declined by 8% from 17,293 in 2011 to 15,923 in 2013 (2,275 per unit).
- On average, residents of the 3-county PSA accounted for approximately 72% of 109,936 total MRI volumes performed by all MRI providers in the PSA during 2013 compared to 79% resident use of the unit at Baptist Rehabilitation-Germantown in 2013.
- There is high level of outmigration by residents of Fayette and Tipton Counties to MRI providers in Shelby County and other parts of TN.

Project Cost

The total project cost is \$1,262,000.00. As clarified in Item 13 of Supplemental 1, the revised Project Costs Chart provides corrected amounts for the MRI service agreement and the estimated fair market value of the facility lease cost for the proposed MRI service. Major costs are as follows:

- The actual 5-year facility lease cost is \$125,000. However, the fair market value (FMV) of the facility cost was used for CON purposes in accordance with HSDA Rules as clarified in Item 6 of Supplemental 1. In this case, the FMV cost used in the chart is \$239,215 based on documentation from the Shelby County Tax Assessor's Office (19% of total project cost).
- The equipment cost is \$480,000 or 38% of the total project cost. This amount is the estimated fair market value (FMV) of the existing MRI 1.5 Tesla

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Siemens MRI unit as documented by the equipment vendor in Item 7 of Supplemental 1.

- As noted, the \$75,000 contingency cost is included for minor repairs, signage or painting that may be needed for the MRI space.
- The applicant estimates that only \$91,500 in cash flow may be involved for start-up of the MRI service (Item 2, Supplemental 1)
- For other details on revised project cost of the project, see the revised Project Cost Chart immediately following page 18 of the application.

Projected Data Chart

The Projected Data Chart on page 23 of the application reflects \$3,193,088 in total gross operating revenue on 2,560 procedures in Year 1 (average of \$1,247 per MRI procedure). The Projected Data Chart reflects the following:

- Gross operating revenue increases by 1.98% from Year 1 to \$3,256,950 on 2,637 procedures in Year 2.
- Net operating income (NOI) is favorable in the first year of the project at 2.2% of gross operating revenue.
- The applicant allocates approximately \$48,000 per year for charity and \$45,000 per year for bad debt in Year 1 and 2.
- Contractual adjustments account for the highest deductions from revenue averaging approximately 71% of gross revenue per year. It appears that the applicant's 40% combined Medicare/TennCare payor mix may help explain why contractual adjustments are higher for this service.
- Other expenses, including equipment service, image interpretation fees and general administrative expenses, account for approximately 65% of total operating expenses budgeted for the project in Year 1 and 2.

Charges

The projected average gross charge amounts to approximately \$1,247 in Year 1 compared to the most recent charge reported by Baptist Rehabilitation-Germantown of approximately \$2,685 per procedure. As noted in Item 15 of Supplemental 1, the applicant clarified that gross operating revenue for MRI services differs between physician practices and hospitals due to financial contracting arrangements and requirements for providing services in different types of settings such as reimbursement under Medicare Part A for hospitals compared to Medicare Part B for physicians. The applicant plans on billing on a global fee basis. As noted, professional fees are included in the rate for imaging interpretation services performed by the contract radiologist physician practice. Highlights of the applicant's charges are as follows:

- The fee schedule of the applicant's global MRI charges with breakout by CPT classification compared to other existing MRI providers is shown on page 25 of the application.

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- The average gross charge for MRI is \$1,247/scan. After deductions, the projected average net charge is \$325/scan.
- Average gross charge appears to be slightly lower than other outpatient imaging providers in Shelby County.
- According to HSDA records, the \$1,247 average gross charge is below the 1st Quartile MRI charge of \$1,570/scan.

Payor Mix

- BMG currently participates in all TennCare MCO plans operating in the PSA offered through United HealthCare of the River Valley, Blue Cross and BlueShield and Amerigroup.
- The Medicare and Medicaid projected gross operating revenue is shown in the table below.

MRI Government Payor Source, Year 1

Payor Source	Gross Revenue	As a % of Total
Medicare	\$1,047,333	32.8%
TennCare	\$261,833	8.2%
Total Gross Revenue	\$3,193,088	100%

Financing

The applicant clarified that funding support for the project will be provided from Baptist Memorial Hospital-Memphis, a related entity of Baptist Memorial Health Care Corporation (BMHC). A letter dated March 12, 2015 from Donald Pounds, Chief Financial Officer, BMHC, was provided for Item 14 of Supplemental 1 supporting the method of funding. Additional highlights are noted below.

- The applicant will negotiate operating lease for the use of the facility with Baptist Rehabilitation-Germantown.
- The MRI equipment is currently owned by BRG and will be reflected as an internal transfer of assets for accounting purposes.
- Actual funding for start-up costs is minimal.
- Review of the Balance Sheet for Baptist Memorial Hospital-Memphis revealed total current assets of \$175,363,415, including cash and cash equivalents of \$42,705,803 and total current liabilities of \$81,208,684 for the period ending February 2015. As a result, the Current Ratio was approximately 2.2 to 1.0 for the period.

Note to Agency Members: current ratio is a measure of liquidity and is the ratio of current assets to current liabilities which measures the ability of an entity to cover its current liabilities with its existing current assets. A ratio of 1:1 would be required to have the minimum amount of assets needed to cover current liabilities.

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Staffing

There are no changes planned for existing staffing or medical supervision of the proposed MRI service. Administrative staff of Baptist Medical Group will be utilized to assist with scheduling, billing and collections activities pertaining to the MRI service.

- Time allocated to the MRI service for a staff MRI technicians amounts to approximately 1.5 full time equivalent.
- A small percentage of other staff activity for nursing, reception and billing staff in an amount averaging approximately 720 hours per year is also allocated to the service.

Licensure/Accreditation

As a private medical group practice, the applicant is not licensed by Tennessee Department of Health. The applicant plans to seek Joint Commission Accreditation and will continue to contract with Mid-South Imaging and Therapeutics; an American College of Radiology accredited radiology practice, for medical supervision and imaging interpretation services.

Corporate documentation, site control information, a vendor quote documenting the maintenance service agreement cost and a copy of the FDA approval of the MRI unit are on file at the Agency office and will be available at the Agency meeting.

Should the Agency vote to approve this project, the CON would expire in **two** years.

CERTIFICATE OF NEED INFORMATION FOR THE APPLICANT:

There are no other Letters of Intent, denied or pending applications, or outstanding Certificates of Need for this applicant. .

Note: Baptist Medical Group is a wholly owned subsidiary of Baptist Memorial Health Care Corporation of Memphis, Tennessee (BMHC), which has financial interests in this project. BMHC has no other Letters of Intent, denied or pending applications.

Outstanding Certificates of Need

West Tennessee Imaging, CN1403-008A, has an outstanding Certificate of Need that will expire on August 1, 2016. The CON was approved at the June 25, 2014 Agency meeting for the establishment of an Outpatient Diagnostic Center (ODC), the acquisition of magnetic resonance imaging (MRI) equipment and the initiation of MRI services by relocating an existing ODC with MRI service from 5130 Stage Road, Memphis, TN to a new facility in approximately 8,258 square feet of new

Baptist Memorial Medical Group

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construction of an existing two-story building at 7600 Wolf River Boulevard, Memphis (Shelby County), TN 38120, a distance of approximately ten (10) miles. Upon licensing of the proposed ODC, the license for the Outpatient Diagnostic Center of Memphis will be relinquished and MRI services at that location will cease. The estimated project cost is **\$10,123,989.00**. *Project Status: Baptist Medical Group, a wholly owned subsidiary of Baptist Memorial Health Care Corporation, holds an 80% ownership interest in West Tennessee Imaging, LLC. Per 6/5/15 e-mail from Arthur Maples, Director of Strategic Analysis, BMHC, construction of the new facility is nearing completion and expects to open within the next 6 months.*

Baptist Memorial Rehabilitation Hospital, CN1212-061A, has an outstanding Certificate of Need that will expire on May 1, 2016. The CON was approved at the March 27, 2013 Agency meeting for the establishment of a forty-nine (49) bed rehabilitation hospital to be constructed at 1238 and 1280 South Germantown Parkway, Germantown (Shelby County), TN. As part of the project, Baptist Rehabilitation Hospital-Germantown will de-license the forty-nine (49) bed rehabilitation unit from its 50-bed hospital located at 2100 Exeter Road, Germantown (Shelby County), TN. Baptist Rehabilitation Hospital-Germantown is approximately 2.5 miles from the proposed new facility. **The total estimated project cost is \$33,167,000.00.** *Project Status: HSDA has requested an Annual Project Report that was due May 2015. An e-mail was received from Arthur Maples, Director of Strategic Analysis, Baptist Memorial Health Care Corporation, on June 5, 2015 advising that the project has been completed pending confirmation of a final total project cost to be included in the Final Project Report. Written documentation from the Tennessee Department of Health (TDH) is on file with HSDA confirming that TDH decreased the license for Baptist Rehabilitation-Germantown from 50 beds to 1 bed effective December 18, 2014 and licensed Baptist Memorial Rehabilitation Hospital for 49 beds effective January 22, 2015.*

Baptist Memorial Hospital-Tipton d/b/a Baptist Center for Cancer Care, CN1211-057A has an outstanding Certificate of Need that will expire April 1, 2016. The CON was approved at the February 27, 2013 Agency meeting for the relocation of Baptist Center for Cancer Care (BCCC) from its approved site at 1238 and 1280 South Germantown Parkway, Germantown (Shelby County), TN 38138 to the building known as The Shops of Humphreys Center at 50 Humphreys Boulevard, Memphis (Shelby County), TN 38120. The proposed new location also includes space conveniently located in nearby buildings at 80 Humphreys Center and 6029 Walnut Grove Road. The Cancer Center project includes the relocation of a positron emission tomography (PET/CT) unit, initiation of linear accelerator services, and acquisition of major medical equipment and related assets currently owned and operated by Baptist Memorial Hospital-Memphis (BMHM). The project involves relocating from BMHM two (2) linear accelerators and other radiation oncology equipment along with the CyberKnife linear accelerator. One (1) of the existing

linear accelerators to be relocated from BMHM will be replaced when installed at the BCCC. The PET/CT unit to be relocated to BCCC will be a replacement of the BMHT PET/CT currently located at 1945 Wolf River Blvd., Germantown (Shelby County), TN 38138. The hospital total Cancer Center space is approximately 153,200 square feet. The project does not involve the addition of beds or any service for which a Certificate of Need is required. The estimated project cost is **\$84,834,200.00**. *Project Status: per June 8, 2015 e-mail update received from Arthur Maples, Director of Strategic Analysis, the project remains in progress with anticipated completion by March 2016, one month prior to the April 2016 expiration date. The renovation of the Thoracic Clinic has been completed and was approved by TDH for occupancy on May 1, 2014. Space for clerical, administrative and support functions has been leased in a building at the 80 Humphreys Center located close to the new location of the Baptist Center for Cancer Center. Since construction on the new cancer center has not begun as of June 2015, the representative states that it is possible that a request for an extension of time will be submitted to the Agency for review and approval in the near future.*

Baptist Memorial Hospital for Women, CN1211-058A, has an outstanding Certificate of Need that will expire April 1, 2016. The CON was approved at the February 27, 2013 Agency meeting for the construction of an Emergency Department dedicated for pediatric patients and the initiation of Magnetic Resonance Imaging (MRI) services on the Baptist Women's campus. The project will involve 37,500 square feet of new construction. The project does not involve the addition of beds or any other service for which a Certificate of Need is required. The estimated project cost is **\$14,105,241.00**. *Project Status: during initial staff review of Baptist Medical Group, CN1503-010, the applicant advised that the project has been completed and a Final Project Report will be submitted to HSDA. Subsequently, an e-mail was received from Arthur Maples, Director of Strategic Analysis, Baptist Memorial Health care Corporation on June 5, 2015 confirming that the project has been completed and the company is working on a final project cost to submit with the Final Project Report.*

CERTIFICATE OF NEED INFORMATION FOR OTHER SERVICE AREA FACILITIES:

There are no Letters of Intent or denied or pending applications for similar service area entities proposing this type of service.

Outstanding Certificates of Need

Regional One Health Imaging, CN1406-024AM, has an outstanding Certificate of Need that will expire on November 1, 2016. The project was approved at the September 24, 2014 Agency meeting for the establishment of an outpatient diagnostic center (ODC), the acquisition of magnetic resonance imaging (MRI) equipment and the initiation of MRI services in approximately 5,275 square feet of leased space on the first floor of

an existing medical office building owned by ROH. The building is located on a 6 acre site at 6555 Quince Road in Memphis, Tennessee, approximately 17 miles southeast of the hospital campus in Memphis. In addition to MRI, the proposed ODC will provide computed tomography, mammography, X-Ray/Fluoroscopy, bone density and ultrasound services. The estimated project cost is **\$5,345,900.00**. *Note: at the September 2014 Agency meeting immediately after receiving approval to establish the ODC, a change of control from Regional One Health LLC to Shelby County Health Care Corporation d/b/a Regional One Health was approved so the facility could be operated as an outpatient department of the hospital in lieu of a free-stranding ODC. Project Status: the project is underway and an Annual Progress Report is due in September 2015. HSDA staff sent an e-mail request on June 1, 2015 for a brief update about the project's status. The project contact advised HSDA staff on 6/11/15 that Regional One executive leadership has been notified and the update will be provided as soon as available.*

Methodist Healthcare-Memphis Hospital d/b/a West Cancer Center, CN1311-043A, has an outstanding Certificate of Need that will expire on April 1, 2017. The CON was approved at the February 26, 2014 Agency meeting for the establishment of a 109,285 square foot comprehensive cancer center to be operated as an outpatient department of Methodist Healthcare. The facility will be located on 9.63 acres at 7945 Wolf River Boulevard, Germantown (Shelby County), TN 38138. The project includes the relocation of a linear accelerator, positron emission tomography/computed tomography (PET/CT), magnetic resonance imaging (MRI) and computed tomography (CT) services and equipment, to replace MRI equipment, to acquire an additional linear accelerator and to establish ambulatory operating rooms. The estimated total project cost is **\$60,554,193.00**. *Project Status: an Annual Project Report submitted in March 2015 states that the anticipated completion date of the project is December 2015. Renovation of non-clinical areas in Phase 1 is completed. Construction scheduled for Phase 2 is underway, including site work for a new parking deck and construction of the linear accelerator vaults.*

Methodist Healthcare-d/b/a LeBonheur Children's Hospital, CN1311-042A, has an outstanding Certificate of Need that will expire on April 1, 2017. The CON was approved at the February 26, 2014 Agency meeting for the establishment of a pediatric center and to initiate and acquire magnetic resonance imaging (MRI) and computed tomography (CT) service and equipment. The facility will be located at 100 North Humphreys Boulevard, Memphis (Shelby County), TN and will be operated as an outpatient department of LeBonheur Children's Hospital. The estimated project cost is **\$26,798,857**. *Project Status: an Annual Project report submitted in March 2015 states that the anticipated project completion date is July 2016. Phase 1 for the renovation of approximately 10,000 SF on the 2nd floor has been completed and approved by TDH. Phase 2 for all further renovation will commence once the relocation of the West Clinic approved in CN1311-043A is completed on or about December 2015.*

**PLEASE REFER TO THE REPORT BY THE DEPARTMENT OF HEALTH,
DIVISION OF HEALTH STATISTICS, FOR A DETAILED ANALYSIS OF THE
STATUTORY CRITERIA OF NEED, ECONOMIC FEASIBILITY, AND
CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE IN
THE AREA FOR THIS PROJECT. THAT REPORT IS ATTACHED TO THIS
SUMMARY IMMEDIATELY FOLLOWING THE COLOR DIVIDER PAGE.**

PJG;
06/05/15

LETTER OF INTENT



LETTER OF INTENT

TENNESSEE HEALTH SERVICES AND DEVELOPMENT AGENCY

The Publication of Intent is to be published in the Commercial Appeal which is a newspaper
(Name of Newspaper)
of general circulation in Shelby and other counties in, Tennessee, on or before March 10, 2015,
(County) (Month / day) (Year)
for one day.

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This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1601 *et seq.*, and the Rules of the Health Services and Development Agency, that: Baptist Memorial Medical Group, Inc. d/b/a Baptist Medical Group, a physicians group, with an ownership type of Corporation intends to file an application for a certificate of need to initiate magnetic resonance imaging ("MRI") services at 2100 Exeter Road, Germantown, Tennessee 38138 as part of its practice. The MRI unit that will be used by Baptist Medical Group is currently owned and operated at this location by Baptist Rehabilitation-Germantown, and the unit will be transferred to Baptist Medical Group as part of project. The project does not involve any other facility or service for which a certificate of need is required. The estimated project cost for certificate of need purposes is \$1,262,000.

The anticipated date of filing the application is: March 13, 2015

The contact person for this project is Arthur Maples Director Strategic Analysis
(Contact Name) (Title)

who may be reached at: Baptist Memorial Health Care Corporation 350 N Humphreys Blvd
(Company Name) (Address)

Memphis TN 38120 901 / 227-4137
(City) (State) (Zip Code) (Area Code / Phone Number)

Arthur Maples 3/9/2015 arthur.maples@bmhcc.org
(Signature) (Date) (E-mail Address)

=====

The Letter of Intent must be filed in triplicate and received between the first and the tenth day of the month. If the last day for filing is a Saturday, Sunday or State Holiday, filing must occur on the preceding business day. File this form at the following address:

**Health Services and Development Agency
Andrew Jackson Building
502 Deaderick Street, 9th Floor
Nashville, Tennessee 37243**

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The published Letter of Intent must contain the following statement pursuant to T.C.A. § 68-11-1607(c)(1). (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

COPY

Baptist Memorial
Medical Group

CN1503-010

1. **Name of Facility, Agency, or Institution**

Baptist Memorial Medical Group, Inc. d/b/a Baptist Medical Group
Name
2100 Exeter Road
Street or Route
Germantown
City
Shelby
County
TN
State
38138
Zip Code

2. **Contact Person Available for Responses to Questions**

Arthur Maples
Name
Baptist Memorial Health Care Corporation
Company Name
350 N. Humphreys Blvd
Street or Route
Employee
Association with Owner
Dir. Strategic Analysis
Title
Arthur.Maples@bmhcc.org
Email address
Memphis
City
901-227-4137
Phone Number
TN
State
38120
Zip Code
901-227-5004
Fax Number

3. **Owner of the Facility, Agency or Institution**

Baptist Memorial Medical Group Inc.
Name
350 N. Humphreys Blvd
Street or Route
Memphis
City
Shelby
County
TN
State
38120
Zip Code

4. **Type of Ownership of Control (Check One)**

A. Sole Proprietorship
B. Partnership
C. Limited Partnership
D. Corporation (For Profit)
E. Corporation (Not-for-Profit) ☒
F. Government (State of TN or Political Subdivision)
G. Joint Venture
H. Limited Liability Company
I. Other (Specify)

PUT ALL ATTACHMENTS AT THE BACK OF THE APPLICATION IN ORDER AND
REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.

5. Name of Management/Operating Entity (If Applicable)

N/A
 Name _____
 Street or Route _____ County _____
 City _____ State _____ Zip Code _____

PUT ALL ATTACHMENTS AT THE END OF THE APPLICATION IN ORDER AND
 REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.

6. Legal Interest in the Site of the Institution (Check One)

- | | | | |
|-------------------------|-------|--------------------|----------------|
| A. Ownership | _____ | D. Option to Lease | _____ <u>X</u> |
| B. Option to Purchase | _____ | E. Other (Specify) | _____ |
| C. Lease of _____ Years | _____ | | |

PUT ALL ATTACHMENTS AT THE BACK OF THE APPLICATION IN ORDER AND
 REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.

7. Type of Institution (Check as appropriate--more than one response may apply)

- | | |
|---|--|
| A. Hospital (Specify) _____ | I. Nursing Home _____ |
| B. Ambulatory Surgical Treatment
Center (ASTC), Multi-Specialty _____ | J. Outpatient Diagnostic Center _____ |
| C. ASTC, Single Specialty _____ | K. Recuperation Center _____ |
| D. Home Health Agency _____ | L. Rehabilitation Facility _____ |
| E. Hospice _____ | M. Residential Hospice _____ |
| F. Mental Health Hospital _____ | N. Non-Residential Methadone
Facility _____ |
| G. Mental Health Residential
Treatment Facility _____ | O. Birthing Center _____ |
| H. Mental Retardation Institutional
Habilitation Facility (ICF/MR) _____ | P. Other Outpatient Facility
(Specify) _____ |
| | Q. Other (Specify) <u>MRI Service</u>
<u>operated by Physician Group</u> _____ <u>X</u> |

8. Purpose of Review (Check) as appropriate--more than one response may apply)

- | | |
|---|--|
| A. New Institution _____ | G. Change in Bed Complement
[Please note the type of change
by underlining the appropriate
response: Increase, Decrease,
Designation, Distribution,
Conversion, Relocation] |
| B. Replacement/Existing Facility _____ | |
| C. Modification/Existing Facility _____ | |
| D. Initiation of Health Care
Service as defined in TCA §
68-11-1607(4) (Specify) <u>MRI</u>
<u>transfer from related entity</u> _____ <u>X</u> | H. Change of Location _____ |
| E. Discontinuance of OB Services _____ | I. Other (Specify) _____ |
| F. Acquisition of Equipment _____ | |

9. Bed Complement Data N/A

Please indicate current and proposed distribution and certification of facility beds.

	<u>Current Licensed</u>	<u>Beds *CON</u>	<u>Staffed Beds</u>	<u>Beds Proposed</u>	<u>TOTAL Beds at Completion</u>
A. Medical	_____	_____	_____	_____	_____
B. Surgical	_____	_____	_____	_____	_____
C. Long-Term Care Hospital	_____	_____	_____	_____	_____
D. Obstetrical	_____	_____	_____	_____	_____
E. ICU/CCU	_____	_____	_____	_____	_____
F. Neonatal	_____	_____	_____	_____	_____
G. Pediatric	_____	_____	_____	_____	_____
H. Adult Psychiatric	_____	_____	_____	_____	_____
I. Geriatric Psychiatric	_____	_____	_____	_____	_____
J. Child/Adolescent Psychiatric	_____	_____	_____	_____	_____
K. Rehabilitation	_____	_____	_____	_____	_____
L. Nursing Facility (non-Medicaid Certified)	_____	_____	_____	_____	_____
M. Nursing Facility Level 1 (Medicaid only)	_____	_____	_____	_____	_____
N. Nursing Facility Level 2 (Medicare only)	_____	_____	_____	_____	_____
O. Nursing Facility Level 2 (dually certified Medicaid/Medicare)	_____	_____	_____	_____	_____
P. ICF/MR	_____	_____	_____	_____	_____
Q. Adult Chemical Dependency	_____	_____	_____	_____	_____
R. Child and Adolescent Chemical Dependency	_____	_____	_____	_____	_____
S. Swing Beds	_____	_____	_____	_____	_____
T. Mental Health Residential Treatment	_____	_____	_____	_____	_____
U. Residential Hospice	_____	_____	_____	_____	_____
TOTAL	_____	_____	_____	_____	_____

*CON-Beds approved but not yet in service

10. Medicare Provider Number 37980961
Certification Type Physician's Group

11. Medicaid Provider Number 1515530
Certification Type Physician's Group

12. If this is a new facility, will certification be sought for Medicare and/or Medicaid?

13. *Identify all TennCare Managed Care Organizations/Behavioral Health Organizations (MCOs/BHOs) operating in the proposed service area. Will this project involve the treatment of TennCare participants? yes If the response to this item is yes, please identify all MCOs/BHOs with which the applicant has contracted or plans to contract.*

Amerigroup Tennessee, Inc. DBA Amerigroup Community Care
UnitedHealth Care of the River Valley, Inc.
Blue Cross Blue Shield of Tennessee, Inc.

Discuss any out-of-network relationships in place with MCOs/BHOs in the area.

Some patients are involved on an individual basis.

NOTE: **Section B** is intended to give the applicant an opportunity to describe the project and to discuss the need that the applicant sees for the project. **Section C** addresses how the project relates to the Certificate of Need criteria of Need, Economic Feasibility, and the Contribution to the Orderly Development of Health Care. Discussions on how the application relates to the criteria should not take place in this section unless otherwise specified.

SECTION B: PROJECT DESCRIPTION

Please answer all questions on 8 1/2" x 11" white paper, clearly typed and spaced, identified correctly and in the correct sequence. In answering, please type the question and the response. All exhibits and tables must be attached to the end of the application in correct sequence identifying the questions(s) to which they refer. If a particular question does not apply to your project, indicate "Not Applicable (NA)" after that question.

- I. Provide a brief executive summary of the project not to exceed two pages. Topics to be included in the executive summary are a brief description of proposed services and equipment, ownership structure, service area, need, existing resources, project cost, funding, financial feasibility and staffing.

Executive Summary

Baptist Medical Group ("BMG") is a group of more than 500 primary and specialty care doctors practicing in locations in West Tennessee, North Mississippi and East Arkansas. BMG is a wholly owned subsidiary of Baptist Memorial Health Care and was established to provide an integrated approach that emphasizes physician collaboration and coordination to offer patients as much convenience as possible, while providing exceptional patient care.

Throughout the Baptist system's network of facilities and services, people and buildings are continuously involved in adjusting to changing health care needs. The new Baptist Memorial Rehabilitation Hospital that opened at the end of 2014 moved inpatient rehabilitation beds from Baptist Rehabilitation - Germantown Hospital ("BRG"). The movement of beds opened new opportunities for the BRG building that already includes a separately licensed Ambulatory Surgery Treatment Center.

This project involves transferring operational management of the existing Magnetic Resonance Imaging ("MRI") Service at BRG from the hospital to the BMG physicians group. As required by the CON program, this application seeks approval for BMG to initiate MRI Services but the project does not involve adding or relocating any equipment. The MRI is the only type of imaging equipment in operation at BRG that requires CON approval to be operated by a physician's group. Both the MRI and the computed tomography ("CT") scanner that is also at the hospital are certified by the American College of Radiology ("ACR") and the certifications will be transferred to the physician's group.

BMG will lease approximately 1,200 square feet of space from the hospital for the MRI and will acquire the MRI equipment. The current personnel will be able to continue in their roles with BMG.

The costs shown in CON chart are based on market value of the land, building and MRI unit. However, since Baptist Memorial Health Care ("BMHC") is the sole member or owner of both BRG and BMG, the values will be transferred internally. Letters are provided attesting the intention of the related parties to transfer the equipment and to lease the space. The financial projections indicate that the transfer of services is financially feasible. Existing equipment will be more fully utilized and communication improved by consolidating resources including the healthcare professionals who are already providing the service.

The number of MRI scans after transfer to BMG are projected to be 2,560 in year 1 and 2,637 in year 2 which is an increase from the current hospital utilization that was 1,223 in CY 2013 and 1,107 in CY 2014. Utilization of the MRI by Rehabilitation Inpatients will decrease since the rehabilitation beds are no longer located at BRG. Physician referrals will be supported through the networking of BMG staff and support from the new information system.

II. Provide a detailed narrative of the project by addressing the following items as they relate to the proposal.

- A. Describe the construction, modification and/or renovation of the facility (exclusive of major medical equipment covered by T.C.A. § 68-11-1601 et seq.) including square footage, major operational areas, room configuration, etc. Applicants with hospital projects (construction cost in excess of \$5 million) and other facility projects (construction cost in excess of \$2 million) should complete the Square Footage and Cost per Square Footage Chart. Utilizing the attached Chart, applicants with hospital projects should complete Parts A.-E. by identifying as applicable nursing units, ancillary areas, and support areas affected by this project. Provide the location of the unit/service within the existing facility along with current square footage, where, if any, the unit/service will relocate temporarily during construction and renovation, and then the location of the unit/service with proposed square footage. The total cost per square foot should provide a breakout between new construction and renovation cost per square foot. Other facility projects need only complete Parts B.-E. Please also discuss and justify the cost per square foot for this project.

If the project involves none of the above, describe the development of the proposal.

Response:

The project involves approximately 1,200 square feet for existing equipment in a facility that is operating as a hospital department.

The project is simply a transfer of operation of existing equipment from a hospital setting to a physician practice. There is no renovation required and the projected costs include an amount as contingency for any minor clean-up/wall-paint that may be timely with other changes.

The imaging service is located on the ground floor of the existing BRG hospital building. Implementation of the transfer will not involve an interruption of service.

- B. Identify the number and type of beds increased, decreased, converted, relocated, designated, and/or redistributed by this application. Describe the reasons for change in bed allocations and describe the impact the bed change will have on the existing services.

Response:

N/A

C. As the applicant, describe your need to provide the following health care services (if applicable to this application):

1. Adult Psychiatric Services
2. Alcohol and Drug Treatment for Adolescents (exceeding 28 days)
3. Birthing Center
4. Burn Units
5. Cardiac Catheterization Services
6. Child and Adolescent Psychiatric Services
7. Extracorporeal Lithotripsy
8. Home Health Services
9. Hospice Services
10. Residential Hospice
11. ICF/MR Services
12. Long-term Care Services
13. Magnetic Resonance Imaging (MRI)
14. Mental Health Residential Treatment
15. Neonatal Intensive Care Unit
16. Non-Residential Methadone Treatment Centers
17. Open Heart Surgery
18. Positron Emission Tomography
19. Radiation Therapy/Linear Accelerator
20. Rehabilitation Services
21. Swing Beds

Response

As described in the previous question, an existing MRI unit is being transferred to new operation and a CON is required for the BMG physician practice to initiate the service. However, additional capacity or new equipment are not involved. Effectiveness of providing the service will be improved and efficiency enhanced by the additional activity. Since the BMG practice covers a large area, other facilities are not anticipated to be effected. The market value of the unit makes acquiring it from BRG, which is within the same parent organization an effective adaptation of resources.

D. Describe the need to change location or replace an existing facility.

Response

N/A

The MRI is not changing location and the facility is not being replaced.

E. Describe the acquisition of any item of major medical equipment (as defined by the Agency Rules and the Statute) which exceeds a cost of \$2.0 million; and/or is a magnetic resonance imaging (MRI) scanner, positron emission tomography (PET) scanner, extracorporeal lithotripter and/or linear accelerator by responding to the following:

1. For fixed-site major medical equipment (not replacing existing equipment):

a. Describe the new equipment, including:

1. Total cost ;(As defined by Agency Rule).

The MRI market value was provided by a Siemens vendor as between \$420,000 - \$480,000 depending on availability. The higher value of \$480,000 is used in the project cost chart as a conservative choice in presenting the CON request.

2. Expected useful life;

The Expected Life is 5 years that is consistent with the AHA's Estimated Useful Lives of Depreciable Hospital Assets 2008 edition.

3. List of clinical applications to be provided; Scans Include:

MRI ServiMR ABDOMEN W/O

MR ABDOMEN W/WO CON

MR BRAIN W/WO CON

MR CHEST W W/O CON

MR LOWER EXT JOINT W/O

MR LOWER EXT WWO CON LT

MR MRA ABD W/WO CON

MR MRA CHEST W/WO CON

MR MRA OR MRV HEAD W/O

MR MRA OR MRV NECK W/O

MR OM BRAIN W/WO CON

MR OM CHEST W W/O CON

MR OM LOWER EXT JOINT W/O

MR OM PELVIS W/WO CON

MR OM SPINE CERVICAL W CON

MR OM SPINE THORACIC W/O CO

MR OM UPPER EXTR JT W/WO LT

MR OM UPPER EXTREM W/WO RT

MR ORB/FACE AN/OR NK WO

MR ORB/FACE AN/OR NK WWO

MR PELVIS W/WO CON

MR SPINE CERVICAL W CON

MR SPINE CERVICAL W/WO
MR SPINE LUMBAR
MR SPINE THORACIC W/O CO
MR UPPER EXTR JT W/WO LT
MR UPPER EXTREM WO CRTces

4. Documentation of FDA approval.

Response:

The equipment is operational within a hospital and FDA approval has been provided.

- b. Provide current and proposed schedules of operations.
- 2. For mobile major medical equipment:
 - a. List all sites that will be served;
 - b. Provide current and/or proposed schedule of operations;
 - c. Provide the lease or contract cost.
 - d. Provide the fair market value of the equipment; and
 - e. List the owner for the equipment.

Response

Not applicable

- 3. Indicate applicant's legal interest in equipment (i.e., purchase, lease, etc.) In the case of equipment purchase include a quote and/or proposal from an equipment vendor, or in the case of an equipment lease provide a draft lease or contract that at least includes the term of the lease and the anticipated lease payments.

Response

The MRI unit will be acquired from BGR by BMG. The transaction will be recorded with a mutually defined market value.

III. (A) Attach a copy of the plot plan of the site on an 8 1/2" x 11" sheet of white paper which must include:

- 1. Size of site (*in acres*);
- 2. Location of structure on the site; and
- 3. Location of the proposed construction.
- 4. Names of streets, roads or highway that cross or border the site.

Response:

Please refer to Attachment Section B, III, A(1)

Please note that the drawings do not need to be drawn to scale. Plot plans are required for all projects.

- (B) 1. Describe the relationship of the site to public transportation routes, if any, and to any highway or major road developments in the area. Describe the accessibility of the proposed site to patients/clients.

Response:

Public transportation is easily accessible on Exeter Road and Exeter intersects with Poplar Avenue that is a major artery.

- IV. Attach a floor plan drawing for the facility which includes legible labeling of patient care rooms (noting private or semi-private), ancillary areas, equipment areas, etc. on an 8 1/2" x 11" sheet of white paper.

Response:

The floor plan showing the Equipment areas is provided in Attachment Section B, IV.

NOTE: **DO NOT SUBMIT BLUEPRINTS.** Simple line drawings should be submitted and need not be drawn to scale.

- V. For a Home Health Agency or Hospice, identify:

1. Existing service area by County;
2. Proposed service area by County;
3. A parent or primary service provider;
4. Existing branches; and
5. Proposed branches.

Response:

Not applicable

SECTION C: GENERAL CRITERIA FOR CERTIFICATE OF NEED

In accordance with Tennessee Code Annotated § 68-11-1609(b), "no Certificate of Need shall be granted unless the action proposed in the application for such Certificate is necessary to provide needed health care in the area to be served, can be economically accomplished and maintained, and will contribute to the orderly development of health care." The three (3) criteria are further defined in Agency Rule 0720-4-.01. Further standards for guidance are provided in the state health plan (Guidelines for Growth), developed pursuant to Tennessee Code Annotated §68-11-1625.

The following questions are listed according to the three (3) criteria: (I) Need, (II) Economic Feasibility, and (III) Contribution to the Orderly Development of Health Care. Please respond to each question and provide underlying assumptions, data sources, and methodologies when appropriate. Please type each question and its response on an 8 1/2" x 11" white paper. All exhibits and tables must be attached to the end of the application in correct sequence identifying the question(s) to which they refer. If a question does not apply to your project, indicate "Not Applicable (NA)."

QUESTIONS

NEED

1. Describe the relationship of this proposal toward the implementation of the State Health Plan and Tennessee's Health: Guidelines for Growth.

- a. Please provide a response to each criterion and standard in Certificate of Need Categories that are applicable to the proposed project. Do not provide responses to General Criteria and Standards (pages 6-9) here.

Response:

N/A This project does not involve adding services in the community.

- b. Applications that include a Change of Site for a health care institution, provide a response to General Criterion and Standards (4)(a-c)

Response:

N/A

2. Describe the relationship of this project to the applicant facility's long-range development plans, if any.

Response:

This project is consistent with the current emphasis on innovative approaches to improve the operational efficiencies of health care services. An existing MRI unit and imaging service is being reconfigured to operate as part of a large physician group. The physician group is integrated with access to more sophisticated hospital services as necessary. Physicians have immediate access to the patient's medical record and the information obtained from the office visit can be transferred for access in the hospital setting. The new operation can accommodate the health needs of the patient community it serves with the highest quality, safety and service expectations which has always been in the long range plan for BMHCC services.

3. Identify the proposed service area and justify the reasonableness of that proposed area. Submit a county level map including the State of Tennessee clearly marked to reflect the service area. Please submit the map on 8 1/2" x 11" sheet of white paper marked only with ink detectable by a standard photocopier (i.e., no highlighters, pencils, etc.).

Response:

A map is provided at Attachment Section C3. The Service Area is reasonable since it represents the origin of current patients served at BRG and the locations served by BMG. The primary service area is Shelby, Tipton and Fayette counties in Tennessee.

4. A. Describe the demographics of the population to be served by this proposal.

Response:

The primary population served by this application is patients 18 years of age and older. However, the open MRI is also occasionally used by pediatric patients.

- B. Describe the special needs of the service area population, including health disparities, the accessibility to consumers, particularly the elderly, women, racial and ethnic minorities, and low-income groups. Document how the business plans of the facility will take into consideration the special needs of the service area population.

Response:

The MRI services are available to all patients although the patient will primarily originate from BMG primary care offices. The primary care BMG physicians are located across the Metro Memphis area. BMG is contracted with all the TennCare MCO's in the region. This assures access to low income groups.

5. Describe the existing or certified services, including approved but unimplemented CONs, of similar institutions in the service area. Include utilization and/or occupancy trends for each of the most recent three years of data available for this type of project. Be certain to list each institution and its utilization and/or occupancy individually. Inpatient bed projects must include the following data: admissions or discharges, patient days, and occupancy. Other projects should use the most appropriate measures, e.g., cases, procedures, visits, admissions, etc.

Response

Data from HSDA equipment utilization for MRI units in Shelby, Tipton, Fayette and DeSoto Counties are shown in the Table on the following page. The applicant is aware of one MRI that has been approved but unimplemented for a project on Humphreys Blvd that is focused on Pediatrics.

Utilization of MRI's In the Service Area

	2010	2011	2012	2013	# units
BMH Collierville	1,941	1,891	1,734	1,593	1
BMH Memphis	11,517	12,052	11,913	11,280	3
BMH for Women				72	1
Baptist Rehab -Germantown	1,702	1,622	1,596	1,212	1
Baptist Rehab - Briarcrest	370	585	650	613	1
Delta Medical Center	880	1,006	787	674	
LeBonheur	3,856	4,663	5,357	5,333	2
Methodist Germantown	8,313	7,698	6,557	6,892	2
Methodist South	3,536	4,073	4,139	4,090	1
Methodist North	6,359	6,058	6,092	6,003	2
Methodist University	9,136	9,677	9,803	10,524	3
Regional Med	3,733	3,927	4,491	4,131	1
St. Francis	6,159	5,482	5,393	5,326	3
St. Francis Bartlett	3,030	3,257	3,642	3,518	2
St. Jude	9,467	10,031	8,737	8,305	4
BMH Tipton	1,213	1,143	1,265	1,153	1
Campbell Clinic	8,081	6,502	6,321	5,547	1
Diagnostic Imaging-Memphis	4,540	6,358	6,538	6,737	1
MSK Group - Covington Pike	3,420	3,096	3,140	3,013	1
MSK Group - Briarcrest	4,043	4,508	4,489	4,637	
Neurology Clinic	3,370	3,168	3,160	3,312	1
Outpatient Diagnostic Center	2,389	2,207	2,214	2,563	1
Park Ave Diagnostic Center	3,857	3,080	2,681	2,075	2
Semmes-Murphey	7,327	7,300	6,490	6,277	2
Wesley Neurology	1,393	1,398	1,309	1,026	
West Clinic	1,304	1,662	1,564	1,287	1
Campbell Clinic - Union		2,290	2,155	2,539	1

6. Provide applicable utilization and/or occupancy statistics for your institution for each of the past three (3) years and the projected annual utilization for each of the two (2) years following completion of the project. Additionally, provide the details regarding the methodology used to project utilization. The methodology must include detailed calculations or documentation from referral sources, and identification of all assumptions.

Response

BMG is requesting to initiate the MRI Service through this application, so it has no historical record. However, the MRI unit was operated by BRG and the scans were reported to the HSDA for 2011-2013. Those numbers from BRG are provided for convenience.

BRG MRI Utilization as reported to HSDA				Projected BMG	
Year	2011	2012	2013	Year 1	Year 2
Scans	1,622	1,596	1,212	2,560	2,637

The projected BMG scans are based on surveys performed by BMG Directors who visited each Metro Primary and Internal Medicine location of BMG physicians. Detailed calculations or scientific analysis were not involved in developing the projections.

ECONOMIC FEASIBILITY

1. Provide the cost of the project by completing the Project Costs Chart on the following page. Justify the cost of the project.
- All projects should have a project cost of at least \$3,000 on Line F. (Minimum CON Filing Fee). CON filing fee should be calculated from Line D. (See Application Instructions for Filing Fee)

Response

The Chart has been completed on the following page. The CON filing fee has been calculated from Line D.

- The cost of any lease (building, land, and/or equipment) should be based on fair market value or the total amount of the lease payments over the initial term of the lease, whichever is greater. Note: This applies to all equipment leases including by procedure or "per click" arrangements. The methodology used to determine the total lease cost for a "per click" arrangement must include, at a minimum, the projected procedures, the "per click" rate and the term of the lease.

Response

The Chart has been completed on the following page.

- The cost for fixed and moveable equipment includes, but is not necessarily limited to, maintenance agreements covering the expected useful life of the equipment; federal, state, and local taxes and other government assessments; and installation charges, excluding capital expenditures for physical plant renovation or in-wall shielding, which should be included under construction costs or incorporated in a facility lease.

Response

The Chart has been completed on the following page. The Chart includes maintenance agreements covering the equipment.

- For projects that include new construction, modification, and/or renovation; documentation must be provided from a contractor and/or architect that support the estimated construction costs.

Response

N/A

March 27, 2015**10:28 pm****PROJECT COSTS CHART**

A. Construction and equipment acquired by purchase:	-
1. Architectural and Engineering Fees	\$ 3,500
2. Legal, Administrative (Excluding CON Filing Fee), Consultant Fees	10,000
3. Acquisition of Site	-
4. Preparation of Site	-
5. Construction Costs	-
6. Contingency Fund	75,000
7. Fixed Equipment (not included in Construction Contract)	480,000
8. Moveable Equipment (List all equipment over \$50,000)	-
9. Other (Specify) <u>(Maintenance)</u>	451,285
B. Acquisition by gift, donation, or lease:	
1. Facility (inclusive of building and land)	239,215
2. Building only	-
3. Land only	-
4. Equipment (Specify) _____	-
5. Other (Specify) _____	-
C. Financing Costs and Fees:	
1. Interim Financing	0
2. Underwriting Costs	0
3. Reserve for One Year's Debt Service	0
4. Other (Specify) _____	0
D. Estimated Project Cost (A + B + C)	\$ 1,259,000
E. CON Filing Fee	\$ 3,000
F. Total Estimated Project Cost (D + E)	
TOTAL	\$ 1,262,000

2. Identify the funding sources for this project.

Please check the applicable item(s) below and briefly summarize how the project will be financed. (*Documentation for the type of funding MUST be inserted at the end of the application, in the correct alpha/numeric order and identified as Attachment C, Economic Feasibility-2.*)

- ☐ A. Commercial loan--Letter from lending institution or guarantor stating favorable initial contact, proposed loan amount, expected interest rates, anticipated term of the loan, and any restrictions or conditions;
- ☐ B. Tax-exempt bonds--Copy of preliminary resolution or a letter from the issuing authority stating favorable initial contact and a conditional agreement from an underwriter or investment banker to proceed with the issuance;
- ☐ C. General obligation bonds--Copy of resolution from issuing authority or minutes from the appropriate meeting;
- ☐ D. Grants--Notification of intent form for grant application or notice of grant award; or
- ☒ E. Cash Reserves--Appropriate documentation from Chief Financial Officer.
- ☐ F. Other--Identify and document funding from all other sources.

3. Discuss and document the reasonableness of the proposed project costs. If applicable, compare the cost per square foot of construction to similar projects recently approved by the Health Services and Development Agency.

Response:

Costs are based on estimates of market value. Sources of data include Tax assessor's office for property value, Insurance Assessment for Building and Siemens vendor for MRI equipment.

4. Complete Historical and Projected Data Charts on the following two pages--**Do not modify the Charts provided or submit Chart substitutions!** Historical Data Chart represents revenue and expense information for the last *three (3)* years for which complete data is available for the institution. Projected Data Chart requests information for the two (2) years following the completion of this proposal. Projected Data Chart should reflect revenue and expense projections for the ***Proposal Only*** (i.e., if the application is for additional beds, include anticipated revenue from the proposed beds only, not from all beds in the facility).

Response:

The submission of the CON application is to request approval to initiate MRI Services. BMG has no historical data available.

The Projected Data chart is provided.

5. Please identify the project's average gross charge, average deduction from operating revenue, and average net charge.

Response:

MRI

Average Gross Charge	\$1,247
Average Deduction from Operating Revenue	\$ 922
Average Net Charge	\$ 325

HISTORICAL DATA CHART

N/A

Give information for the last *three* (3) years for which complete data are available for the facility or agency. The fiscal year begins in _____ (Month).

	Year _____	Year _____	Year _____
A. Utilization Data (Specify unit of measure)	_____	_____	_____
B. Revenue from Services to Patients			
1. Inpatient Services	\$ _____	\$ _____	\$ _____
2. Outpatient Services	_____	_____	_____
3. Emergency Services	_____	_____	_____
4. Other Operating Revenue (Specify) _____	_____	_____	_____
Gross Operating Revenue	\$ _____	\$ _____	\$ _____
C. Deductions from Gross Operating Revenue			
1. Contractual Adjustments	\$ _____	\$ _____	\$ _____
2. Provision for Charity Care	_____	_____	_____
3. Provisions for Bad Debt	_____	_____	_____
Total Deductions	\$ _____	\$ _____	\$ _____
NET OPERATING REVENUE	\$ _____	\$ _____	\$ _____
D. Operating Expenses			
1. Salaries and Wages	\$ _____	\$ _____	\$ _____
2. Physician's Salaries and Wages	_____	_____	_____
3. Supplies	_____	_____	_____
4. Taxes	_____	_____	_____
5. Depreciation	_____	_____	_____
6. Rent	_____	_____	_____
7. Interest, other than Capital	_____	_____	_____
8. Other Expenses (Specify) _____	_____	_____	_____
Total Operating Expenses	\$ _____	\$ _____	\$ _____
E. Other Revenue (Expenses) – Net (Specify)	\$ _____	\$ _____	\$ _____
NET OPERATING INCOME (LOSS)	\$ _____	\$ _____	\$ _____
F. Capital Expenditures			
1. Retirement of Principal	\$ _____	\$ _____	\$ _____
2. Interest	_____	_____	_____
Total Capital Expenditures	\$ _____	\$ _____	\$ _____
NET OPERATING INCOME (LOSS) LESS CAPITAL EXPENDITURES	\$ _____	\$ _____	\$ _____

Year 1

Year 2 22

PROJECTED DATA CHART

Fiscal Year begins in Oct

Utilization Data (Scans)	2,560	2,637
Revenue from Services to Patients		
1. Inpatient Services		
2. Outpatient Services	\$ 3,193,088	\$ 3,256,950
3. Emergency Services		
4. Other Operating Revenue (specify) <u>cafeteria</u>		
Gross Operating Revenue	\$ 3,193,088	\$ 3,256,950
Deductions from Gross Operating Revenue		
1. Contractual Adjustments	\$ 2,268,488	\$ 2,313,858
2. Provision for Charity Care	\$ 47,896	\$ 48,854
3. Provision for Bad Debt	\$ 44,703	\$ 45,597
Total Deductions	\$ 2,361,088	\$ 2,408,309
NET OPERATING REVENUE	\$ 832,000	\$ 848,640
Operating Expenses		
1. Salaries and Wages	\$ 97,500	\$ 100,425
2. Physician's Salaries and Wages	\$ 26,000	\$ 26,000
3. Supplies	\$ 38,400	\$ 39,552
4. Taxes	\$ -	\$ -
5. Depreciation	\$ 96,000	\$ 96,000
6. Rent	\$ 25,000	\$ 25,000
7. Interest, other than Capital		
8. Management Fees:		
a. Fees to Affiliates		
b. Fees to Non-Affiliates		
9. Other Expenses (Specify on separate page)	\$ 479,377	\$ 489,867
Total Operating Expenses	\$ 762,277	\$ 776,844
Other Revenue (Expenses) - Net (Specify)		
NET OPERATING INCOME (LOSS)	\$ 69,723	\$ 71,796
Capital Expenditures		
1. Retirement of Principal		
2. Interest		
Total Capital Expenditures	\$ -	\$ -
NET OPERATING INCOME (LOSS)		
LESS CAPITAL EXPENDITURES	\$ 69,723	\$ 71,796

PROJECTED DATA CHART-OTHER EXPENSES

<u>OTHER EXPENSES CATEGORIES</u>	<u>Year 1</u>	<u>Year 2</u>
Interpretation Fees	<u>172,800</u>	<u>176,256</u>
Equipment Maintenance	<u>90,257</u>	<u>92,965</u>
General Administrative	<u>216,320</u>	<u>220,647</u>
	<u> </u>	<u> </u>
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	<u> </u>	<u> </u>
Total Other Expenses	<u><u>479,377</u></u>	<u><u>489,867</u></u>

6. A. Please provide the current and proposed charge schedules for the proposal. Discuss any adjustment to current charges that will result from the implementation of the proposal. Additionally, describe the anticipated revenue from the proposed project and the impact on existing patient charges.

Response

Below are charges planned to be used by BMG

<u>CPT</u>	<u>Description</u>	<u>BMG Charge</u>
72148	MRI Lumbar spine w/o dye	\$ 1,325
73721	MRI joint of lower extrem w/o dye	\$ 1,055
72141	MRI neck spine w/o dye	\$ 1,325
73221	MRI joint upr extrem w/o dye	\$ 1,075
70557	MRI brain w/o dye	\$ 1,400

- B. Compare the proposed charges to those of similar facilities in the service area/adjoining service areas, or to proposed charges of projects recently approved by the Health Services and Development Agency. If applicable, compare the proposed charges of the project to the current Medicare allowable fee schedule by common procedure terminology (CPT) code(s).

Response

<u>CPT</u>	<u>Description</u>	<u>BMG Charge</u>	<u>CN1403-008</u>
72148	MRI Lumbar spine w/o dye	\$ 1,325	1,404
73721	MRI joint of lower extrem w/o dye	\$ 1,055	1,111
72141	MRI neck spine w/o dye	\$ 1,325	1,354
73221	MRI joint upr extrem w/o dye	\$ 1,075	1,131
70557	MRI brain w/o dye	\$ 1,400	1,486

7. Discuss how projected utilization rates will be sufficient to maintain cost-effectiveness.

Response

The utilization will be sufficient to maintain cost effectiveness of providing MRI Services at an effective level to cover expenses of operation. Providing the service as part of BMG will enhance the patient experience of being served as a doctor's office visit.

8. Discuss how financial viability will be ensured within two years; and demonstrate the availability of sufficient cash flow until financial viability is achieved.

Response

As shown in the projections, the project is anticipated to have a positive cash flow in Year One. Patients and physicians are already using the service at this location.

9. Discuss the project's participation in state and federal revenue programs including a description of the extent to which Medicare, TennCare/Medicaid, and medically indigent patients will be served by the project. In addition, report the estimated dollar amount of revenue and percentage of total project revenue anticipated from each of TennCare, Medicare, or other state and federal sources for the proposal's first year of operation.

Response

Source	Year 1	
	Gross	% Total
Medicaid	\$261,833	8.2 %
Medicare	\$1,047,333	32.8%

10. Provide copies of the balance sheet and income statement from the most recent reporting period of the institution and the most recent audited financial statements with accompanying notes, if applicable. For new projects, provide financial information for the corporation, partnership, or principal parties involved with the project. Copies must be inserted at the end of the application, in the correct alpha-numeric order and labeled as Attachment C, Economic Feasibility-10.

Response

A letter from the CFO of Baptist Memorial Health Care is provided.

11. Describe all alternatives to this project which were considered and discuss the advantages and disadvantages of each alternative including but not limited to:
- a. A discussion regarding the availability of less costly, more effective, and/or more efficient alternative methods of providing the benefits intended by the proposal. If development of such alternatives is not practicable, the applicant should justify why not; including reasons as to why they were rejected.

Response

One alternative was to continue to operate the imaging services as a department of the hospital. The decline in utilization and the move of 49 inpatient rehabilitation beds away from the hospital indicated that action was needed to continue efficient use of the resources.

Matching the availability of the imaging center equipment and facility with the needs of BMG patients and the capabilities of the new information system is important. The combined benefits made this proposal for operation by BMG the most desirable and effective for continuing service to patients.

- b. The applicant should document that consideration has been given to alternatives to new construction, e.g., modernization or sharing arrangements. It should be documented that superior alternatives have been implemented to the maximum extent practicable.

Response

N/A construction is not involved.

CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE

1. List all existing health care providers (e.g., hospitals, nursing homes, home care organizations, etc.), managed managed care organizations, alliances, and/or networks with which the applicant currently has or plans to have contractual and/or working relationships, e.g., transfer agreements, contractual agreements for health services.

Response

BMG was established to provide an integrated approach that emphasizes physician collaboration and coordination to offer patients as much convenience as possible. BMG physicians are actively involved in hospital services throughout the Baptist system including a Long Term Care Hospital, a Nursing Home and Home Care Organizations. The system and BMG also have working relationships with other providers throughout the region. BMG participates in Medicare Advantage Plans including Humana Health Plan, Inc., HealthSpring of Tennessee, Inc. /Cigna Health and Life Insurance Company, INC., Blue Cross Blue Shield of Tennessee, Inc., Well Care Health Plan, Coventry Health and Life Insurance Company, and Aetna Health, Inc. Military plans are TriWest HealthCare Alliance Corporation and Humana Military Healthcare Services, Inc. (Tri-Care). One CO-Op plan is Community Health Alliance Health Plan

2. Describe the positive and/or negative effects of the proposal on the health care system. Please be sure to discuss any instances of duplication or competition arising from your proposal including a description of the effect the proposal will have on the utilization rates of existing providers in the service area of the project.

Response

This proposal will benefit patients by continuing the availability of an existing resource. The MRI equipment will be more effectively utilized. This project is not anticipated to have any significant negative impact on the Health Care system as a whole. It is not adding equipment or capacity to the community. Patients are dispersed across a large region where there are BMG locations.

3. Provide the current and/or anticipated staffing pattern for all employees providing patient care for the project. This can be reported using FTEs for these positions. Additionally, please compare the clinical staff salaries in the proposal to prevailing wage patterns in the service area as published by the Tennessee Department of Labor & Workforce Development and/or other documented sources.

Response

BMG RATE EXCLUDING BENEFITS								
Magnetic Resonance Imaging Technologists			Rate					
			\$25					
Tennessee Dept Labor & Workforce Development								
Occupation Job Description	Occ: code	Est. empl.	Mean Hourly Wage	Entry wage	Exp. wage	25th pct	Median wage	75th pct
Magnetic Resonance Imaging Technologists	29- 2035	210	60,115 28.9	50,850 24.45	64,748 31.15	52,880 25.4	60,388 29.05	68,754 33.05

4. Discuss the availability of and accessibility to human resources required by the proposal, including adequate professional staff, as per the Department of Health, the Department of Mental Health and Developmental Disabilities, and/or the Division of Mental Retardation Services licensing requirements.

Response

Since most staff are already actively involved, recruitment difficulties are not anticipated.

5. Verify that the applicant has reviewed and understands all licensing certification as required by the State of Tennessee for medical/clinical staff. These include, without limitation, regulations concerning physician supervision, credentialing, admission privileges, quality assurance policies and programs, utilization review *policies and programs, record keeping, and staff education.*

Response

The BMG MRI will be in a physician office rather than a licensed Health care Facility. Physician supervision has been established for the imaging service and is anticipated to continue. The MRI, (and CT that is not part of this CON application) have been accredited by the ACR to meet the Advanced Diagnostic Imaging requirements for CMS certification. BMG has studied certification and licensing requirements that are required by the state. The ACR certification will be transferred to BMG.

6. Discuss your health care institution's participation in the training of students in the areas of medicine, nursing, social work, etc. (e.g., internships, residencies, etc.).

Response

Baptist Memorial Health Care Corporation is a strong supporters of educational opportunities throughout the region. Baptist's Philosophy and Mission for the system states that, "... it seeks to ENCOURAGE, GUIDE, and INSTRUCT those individuals entering into professions related to the healing of the body, mind and spirit."

Baptist Memorial College of Health Sciences was chartered in 1994 as a specialized college offering baccalaureate degrees in nursing and in allied health sciences as well as continuing education opportunities for healthcare professionals.

The four year BHS degree includes radiology training in areas of diagnostic medical services, and radiographic technology. BMG will participate to make student learning opportunities available as circumstances allow.

7. (a) Please verify, as applicable, that the applicant has reviewed and understands the licensure requirements of the Department of Health, the Department of Mental Health and Developmental Disabilities, the Division of Mental Retardation Services, and/or any applicable Medicare requirements.

Response

BMG has reviewed and understands the licensure requirements of the Department of Health and applicable Medicare certification requirements.

- (b) Provide the name of the entity from which the applicant has received or will receive licensure, certification, and/or accreditation.

Licensure: Health facilities Licensure is not required

Accreditation: Joint Commission accreditation is planned

- (c) If an existing institution, please describe the current standing with any licensing, certifying, or accrediting agency. Provide a copy of the current license of the facility.

Response

The BMG Group is not licensed as a institution.

- (d) For existing licensed providers, document that all deficiencies (if any) cited in the last licensure certification and inspection have been addressed through an approved plan of correction. Please include a copy of the most recent licensure/certification inspection with an approved plan of correction.

Response

N/A

8. Document and explain any final orders or judgments entered in any state or country by a licensing agency or court against professional licenses held by the applicant or any entities or persons with more than a 5% ownership interest in the applicant. Such information is to be provided for licenses regardless of whether such license is currently held.

Response

There are no final orders or judgments to report.

9. Identify and explain any final civil or criminal judgments for fraud or theft against any person or entity with more than a 5% ownership interest in the project

Response

There are no final civil or criminal judgments to report.

10. If the proposal is approved, please discuss whether the applicant will provide the Tennessee Health Services and Development Agency and/or the reviewing agency information concerning the number of patients treated, the number and type of procedures performed, and other data as required.

Response

BMG will provide the Tennessee Health Services and Development Agency and/or the reviewing agency information concerning the number of patients treated, the number and type of procedures performed, and other data as required.

PROOF OF PUBLICATION

Attach the full page of the newspaper in which the notice of intent appeared with the mast and dateline intact or submit a publication affidavit from the newspaper as proof of the publication of the letter of intent.

Response

A page from the Commercial Appeal is provided.

DEVELOPMENT SCHEDULE

Tennessee Code Annotated § 68-11-1609(c) provides that a Certificate of Need is valid for a period not to exceed three (3) years (for hospital projects) or two (2) years (for all other projects) from the date of its issuance and after such time shall expire; provided, that the Agency may, in granting the Certificate of Need, allow longer periods of validity for Certificates of Need for good cause shown. Subsequent to granting the Certificate of Need, the Agency may extend a Certificate of Need for a period upon application and good cause shown, accompanied by a non-refundable reasonable filing fee, as prescribed by rule. A Certificate of Need which has been extended shall expire at the end of the extended time period. The decision whether to grant such an extension is within the sole discretion of the Agency, and is not subject to review, reconsideration, or appeal.

1. Please complete the Project Completion Forecast Chart on the next page. If the project will be completed in multiple phases, please identify the anticipated completion date for each phase.
2. If the response to the preceding question *indicates that the applicant does not anticipate completing the project within the period of validity as defined in the preceding paragraph*, please state below any request for an extended schedule and document the "good cause" for such an extension.

PROJECT COMPLETION FORECAST CHART

Enter the Agency projected Initial Decision date, as published in T.C.A. § 68-11-1609(c): _____

Assuming the CON approval becomes the final agency action on that date; indicate the number of days from the above agency decision date to each phase of the completion forecast.

<u>Phase</u>	<u>DAYS REQUIRED</u>	<u>Anticipated Date (MONTH/YEAR)</u>
1. <u>Architectural and engineering contract signed</u>	_____	_____
2. <u>Construction documents approved by the Tennessee Department of Health</u>	_____	_____
3. <u>Construction contract signed</u>	_____	_____
4. <u>Building permit secured</u>	_____	_____
5. <u>Site preparation completed</u>	_____	_____
6. <u>Building construction commenced</u>	_____	_____
7. <u>Construction 40% complete</u>	_____	_____
8. <u>Construction 80% complete</u>	_____	_____
9. <u>Construction 100% complete (approved for occupancy)</u>	_____	_____
10. <u>*Issuance of license</u>	<u>Not required</u> _____	_____
11. <u>*Initiation of service</u>	_____	<u>August 2015</u>
12. <u>Final Architectural Certification of Payment</u>	_____	_____
13. <u>Final Project Report Form (HF0055)</u>	_____	_____

* For projects that do NOT involve construction or renovation: Please complete items 10 and 11 only.

Note: If litigation occurs, the completion forecast will be adjusted at the time of the final determination to reflect the actual issue date.

AFFIDAVIT

MAR 12 10 15 AM 2015

STATE OF TENNESSEE

COUNTY OF SHELBY

ARTHUR MAPLES, being first duly sworn, says that he/she is the applicant named in this application or his/her/its lawful agent, that this project will be completed in accordance with the application, that the applicant has read the directions to this application, the Rules of the Health Services and Development Agency, and T.C.A. § 68-11-1601, *et seq.*, and that the responses to this application or any other questions deemed appropriate by the Health Services and Development Agency are true and complete.

Arthur Maples / Dir. Strategic Analysis
SIGNATURE/TITLE

Sworn to and subscribed before me this 11th day of March, 2015 a Notary
(Month) (Year)

Public in and for the County/State of Shelby Tennessee.

Paulette E. Kearney
NOTARY PUBLIC

My Comm. Exp. August 21, 2016

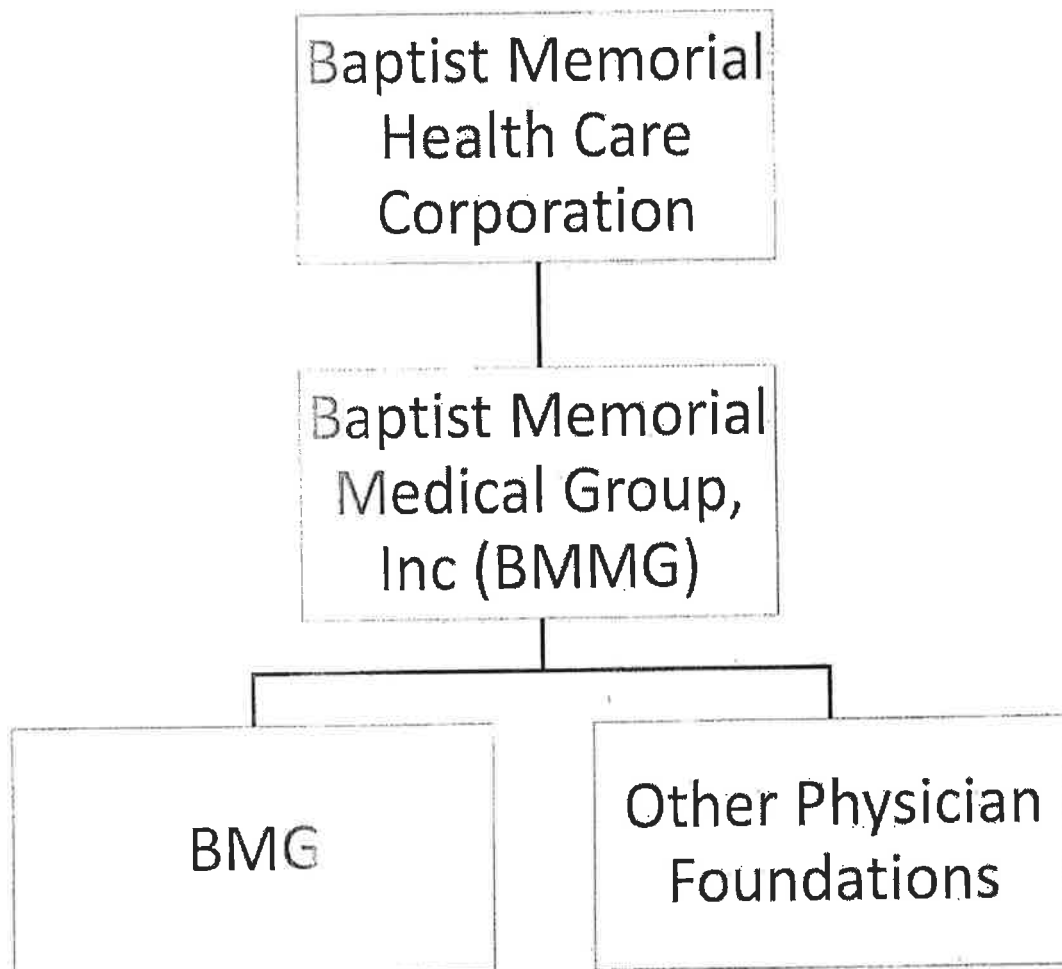
My commission expires _____
(Month/Day) (Year)



Organizational Chart

Section A-4

ORGANIZATION CHART



Equipment Transfer Intent Agreement

Section A-6



Letter of Intent from Baptist Memorial Regional Rehabilitation Services, Inc., to
Baptist Memorial Medical Group, Inc.

Re: Letter of Intent Regarding Transfer of Equipment for Magnetic Resonance Imaging
Services at Baptist Rehabilitation - Germantown

Dear Robert Vest:

The purpose of this letter is to memorialize the intent of Baptist Memorial Regional Rehabilitation Services, Inc. ("BMRRS") and Baptist Memorial Medical Group, Inc. ("BMMG") to enter into an agreement to transfer Siemens Magnetom Espree Magnetic Resonance Imaging 1.5 Tesla equipment with a fair market value estimated at \$480,000.00.

The final terms between BMRRS and BMMG shall be subject to BMMG obtaining a certificate of need from the Tennessee Health Services and Development Agency to initiate MRI services with the equipment described in this Letter of Intent.

If the terms of this Letter of Intent are acceptable, please so indicate by signing at the space indicated.

Very truly yours,

Accepted:

Date:

3-12-15

Plot Plan

Section B, III, A (1)

FARMINGTON SHOPPING CENTER
PLAT BOOK 37, PAGE 38
SC-1
ZONING

T.B.M.

EXETER ROAD

(106' ROW)

R=1053.00
A=69.94
D=3°48'20"

N 01°57'57"W

511.14

FARMINGTON SHOPPING CENTER
FIRST ADDITION, PARCEL 2
PLAT BOOK 34, PAGE 81
SC-1
ZONING

100.00
N 00°13'53"W

FARMINGTON SHOPPING CENTER
FIRST ADDITION, PARCEL 4
PLAT BOOK 34, PAGE 81
SC-1
ZONING

N 76°47'25"W
409.83

569.03
N 87°57'20"E

10.97 Ac.

185.95
S 21°57'35"W

231.18
S 17°02'00"E

92.81
S 29°47'28"E

102.68
S 30°55'47"E

102.91
S 25°02'30"E

103.19
S 18°12'16"E

S 04°50'40"E

FARMINGTON SUPERMART
SECTION "A"
PLAT BOOK 44, PAGE 33
R-1
ZONING



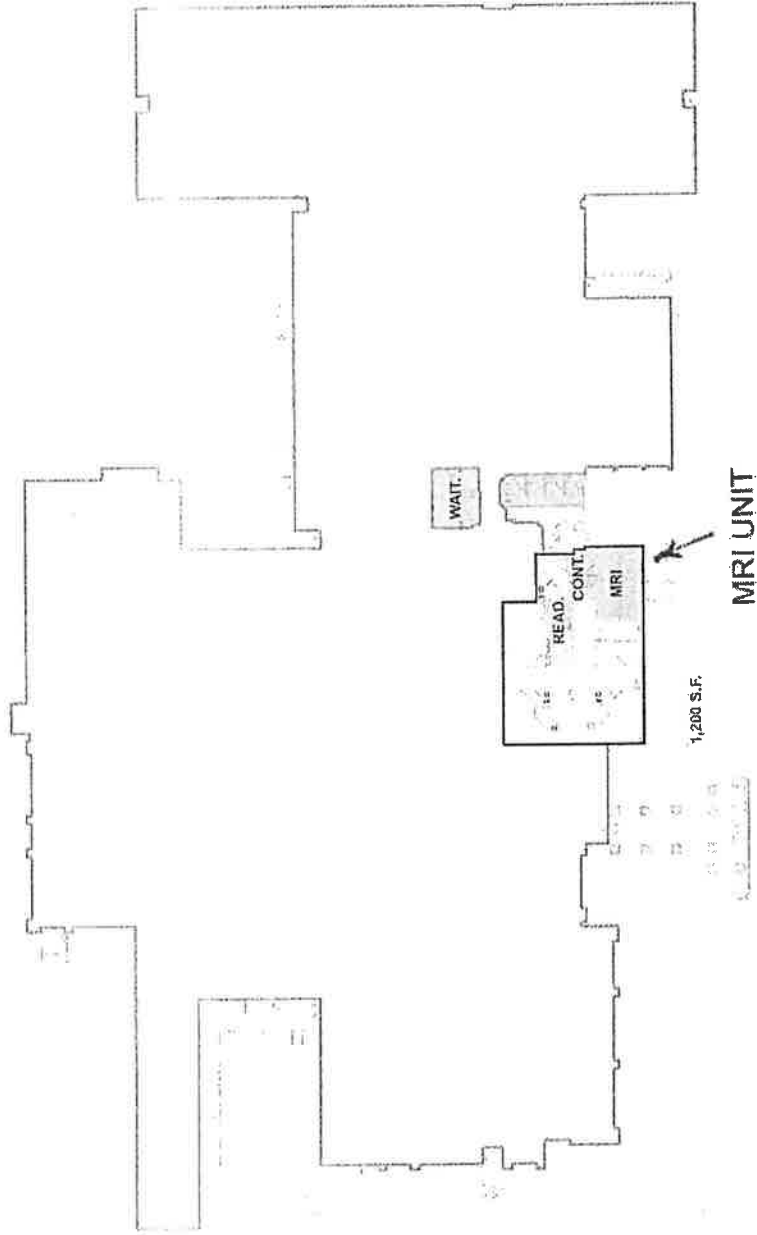
SCALE: 1" = 100'



BAPTIST REHABILITATION - GERMANTOWN
Germantown, Tennessee

Floor Plan

Section B, IV



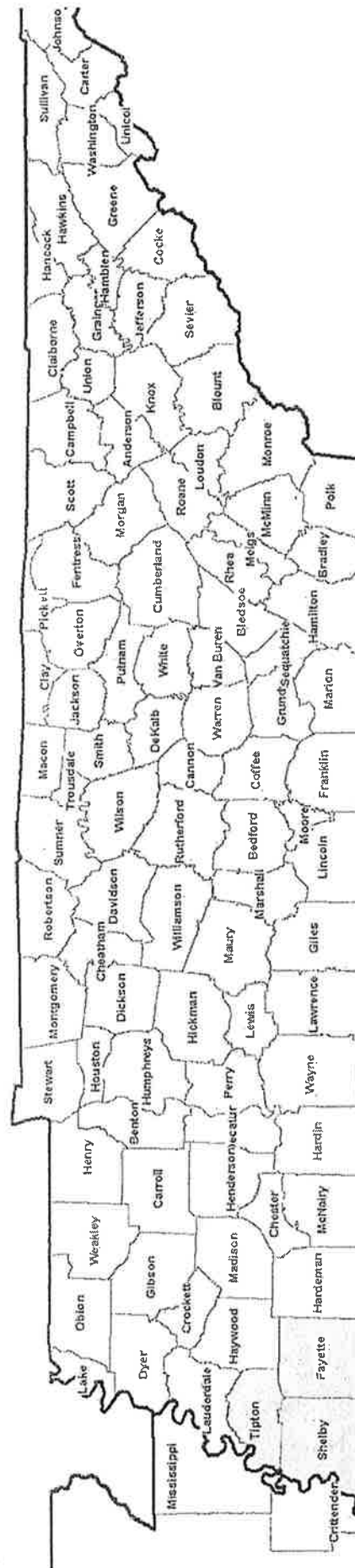
FIRST FLOOR PLAN - MRI



BAPTIST MEDICAL GROUP - MRI
 GERMANTOWN, TENNESSEE
 06/09/2015

Service Area Map

Section C, 3



Chief Financial Officer Letter

Economic Feasibility 2(E)

SUPPLEMENTAL #1

March 27, 2015**10:28 pm****1. Section A, Item 3**

The response with attached organizational chart is noted. In the description on page 5, the applicant states that Baptist Medical Group (BMG) is a wholly owned subsidiary of Baptist Memorial Health Care Corporation. Please identify the owner's interest in any other health care institutions in Tennessee as defined in TCA §68-11-1602. Please include a list with the name, address, current status of licensure for each health care institution identified. Of these, please note the hospitals or ODCs, etc. that have existing MRI units (fixed units/mobile units).

Please also identify any facilities with outstanding Certificate of Need projects involving MRI services and a brief update about the status of same.

Other than the proposed location, please briefly describe the involvement BMG has with other existing MRI sites identified in the response above, such as medical supervision or image interpretation by BMG radiologists, referral coordination, etc.

Response**Outstanding Certificate of Need projects involving MRI**

BMG is an 80% member of West Tennessee Imaging, LLC, a Tennessee corporation formed in October 2013 that has an approved CON, CN1403-008, for establishment of an outpatient diagnostic center (ODC). The project will not add capacity to the community and involves relocating the Outpatient Diagnostic Center of Memphis from its present location at 5130 Stage Road in Memphis to a new facility at 7600 Wolf Boulevard in Memphis. The new facility is nearing completion to open within 6 months.

Baptist Memorial Hospital for Women has completed CN1211-058A, which involved construction of an Emergency Department dedicated for pediatric patients and the initiation of Magnetic Resonance Imaging. The MRI unit was installed and MRI services initiated effective October 23, 2013. A final project report will be submitted to the HSDA.

Methodist Healthcare-Memphis Hospitals d/b/a West Cancer Center has an outstanding Certificate of Need, CN1311-043, for the establishment of an off-campus outpatient department, which includes the relocation and replacement of MRI equipment. BMG is not aware of the current status of the project.

Methodist Healthcare-d/b/a Le Bonheur Children's Hospital, has an outstanding Certificate of Need, CN1311-042, to establish a pediatric center, which involves acquiring and initiating and magnetic resonance imaging (MRI) equipment and service. The MRI will be operated as an outpatient department of LeBonheur Children's Hospital.

Name	Address	Status of Licensure	MRI Units (fixed/mobile)
Baptist Memorial Hospital dba	6019 Walnut Grove Rd		
Baptist Memorial Hospital - Memphis	Memphis, TN 38120	Hospital - Active	3 Fixed
Baptist Memorial Hospital dba	6225 Humphreys Blvd		
Baptist Memorial Hospital for Women	Memphis, TN 38120	Hospital - Active	1 Fixed
Baptist Memorial Hospital dba	1500 West Poplar Ave		
Baptist Memorial Hospital - Collierville	Collierville, TN 38017	Hospital - Active	1 Fixed
Baptist Memorial Regional Rehabilitation Services, Inc dba	6019 Walnut Grove Rd 1 West		
Baptist Memorial Restorative Care Hospital	Memphis, TN 38120	Hospital - Active	
Baptist Memorial Regional Rehabilitation Services, Inc dba	2100 Exeter Rd		
Baptist Rehabilitation - Germantown	Germantown, TN 38138	Hospital - Active	1 fixed; 1 fixed shared
	1995 Highway 51 South		
Baptist Memorial Hospital - Tipton, Inc	Covington, TN 38019	Hospital - Active	1 fixed
	1201 Bishop St		
Baptist Memorial Hospital - Union City, Inc	Union City, TN 38261	Hospital - Active	1 Fixed
	631 RB Wilson Drive		
Baptist Memorial Hospital - Huntingdon, Inc	Huntingdon, TN 38344	Hospital - Active	1 Fixed
	1618 Hwy 51 S, Unit C		
Baptist Home Care & Hospice - Covington	Covington, TN 38019	Home Care - Active	
	631 RB Wilson Drive		
Baptist Memorial Home Care	Huntingdon, TN 38344	Home Care - Active	
	6141 Walnut Grove Rd		
Baptist Home Care Trinity	Memphis, TN 38120	Home Care - Active	
	6141 Walnut Grove Rd		
Baptist Trinity Home Care - Private Pay Division	Memphis, TN 38120	Home Care - Active	
Walnut Grove Plaza Pharmacy	6025 Walnut Grove Rd		
	Memphis, TN 38120	Pharmacy - Active	
Baptist Memorial Hospital - Memphis Skilled Nursing Facility	6019 Walnut Grove Rd		
	Memphis, TN 38120	SNF - Inactive	
	2100 Exeter Rd, Ste 101		
Baptist Germantown Surgery Center	Germantown, TN 38138	ASTC - Active	
	80 Humphreys Center Drive #101		
East Memphis Surgery Center	Memphis, TN 38120	ASTC - Active	

March 27, 2015
10:28 pm

Hamilton Eye Institute Surgery Center, LP	930 Madison Ave, Ste 101 Memphis, TN 38163	ASTC - Active	
Mays & Schnapp Pain Clinic and Rehabilitation Center	55 Humphreys Center Drive #200 Memphis, TN 38120	ASTC - Active	
Memphis Surgery Center	1044 Cresthaven Memphis, TN 38119	ASTC - Active	
Urocenter	80 Humphreys Ste 310 Memphis, TN 38120	ASTC - Active	
Union City Surgery Center	1722 E Reelfoot Ave, Ste 1 Union City, TN 38261	ASTC - Active	
Baptist Memorial Home Care & Hospice	631 RB Wilson Drive Huntingdon, TN 38344	Hospice - Active	
Baptist Home Care & Hospice	1201 Bishop St Union City, TN 38261	Hospice - Active	
Baptist Home Care & Hospice - Covington	1618 Hwy 51 S, Unit C Covington, TN 38019	Hospice - Active	
Baptist Trinity Hospice	6141 Walnut Grove Rd Memphis, TN 38120	Hospice - Active	
Baptist Home Medical Equipment	1600 Center Center Pkwy, Ste 101 Memphis, TN 38134	DME - Active	
Medical Alternatives	6949 Appling Farms Pkwy, Ste 109 Memphis, TN 38133	DME - Active	

SUPPLEMENTAL #1**March 27, 2015****10:28 pm**

March 27, 2015**10:28 pm****2. Section A, Item 6**

The signed option to lease for the 1,200 square foot area at Baptist-Rehab-Germantown that houses the existing MRI unit is noted. Please identify the names of the organizations & titles of the individuals authorized to sign for the parties. The lease terms indicate \$125,000 five-year lease cost may be adjusted based on a fair market value. What is applicant's estimate of the comparable market value at present for this type of use?

Documentation attesting to ownership of property and land such as a copy of title or deed appears to be missing from the attachments to the application. Please provide this information.

Response

The Letter of Intent Regarding the Lease of Space for Magnetic Resonance Imaging at Baptist Rehabilitation - Germantown is signed by Randy King, who is the Baptist Memorial Health Care Corporation (BMHCC) Vice-President and who is on the Board of Directors of Baptist Memorial Regional Rehabilitation Services, Inc. d/b/a Baptist Rehabilitation-Germantown, the entity that owns the land and the property at 2100 Exeter Road, Germantown, TN 38128.

Robert Vest is the Chief Operating Officer of Baptist Memorial Medical Group d/b/a Baptist Medical Group (BMG).

The Letter of Intent Regarding Transfer of Equipment for Magnetic Resonance Imaging Services at Baptist Rehabilitation - Germantown is signed by Gregory M. Duckett who is the Senior Vice President of BMHCC who is also the Board Secretary of Baptist Memorial Regional Rehabilitation Services, Inc. d/b/a Baptist Rehabilitation-Germantown, which is the owner of the equipment. This letter is also signed by Robert Vest as the Chief Operating Officer of BMG.

Letters are used to indicate transfer of the operating rights within BMHCC and for the CON application. The transfer will be recorded for accounting purposes although property movement within BMHCC does not involve the actual transfer of funds. The estimated project cost for certificate of need purposes is \$1,262,000, while the actual cash flow that may be involved is approximately \$91,500, an amount that may be needed for new signage, minor cleaning such as painting and other administrative and legal expenses related to service certification. Costs like maintenance are essential either as a hospital or physician's service.

The Market Value reference pertains to the system's estimate based on a lease that was recently taken by BMG in the Medical Building

SUPPLEMENTAL #1

March 27, 2015

10:28 pm

attached to the Hospital where the proposed BMG MRI is located. A copy of a page from that lease indicating Market Value and lease rate shown in the projections follows this page. The lease rate is included in the projections chart while the market value of land and property is used in project cost chart. An updated project cost chart is provided in response to a subsequent supplemental question to include a typographical error that was an oversight in the original submission. The total project cost did not change. The values are from the Shelby County Tax Assessor's office and were used because the value estimate is more than the 5 year lease rate.

Documentation of ownership by Baptist Memorial Regional Rehabilitation Services, Inc. d/b/a Baptist Rehabilitation-Germantown is also provided.

March 27, 2015**10:28 pm****3) Section A, Item 8**

The response is noted. It appears that the MRI service approved in CN9812-084A will transfer from operation by the hospital to the applicant's private non-profit medical group practice. Does Baptist Rehabilitation-Germantown plan to voluntarily surrender the hospital MRI service approved in CN9812-084A? Please confirm.

Response

The MRI service approved in CN9812-084A will transfer from operation by the hospital to Baptist Medical Group (BMG). Upon approval of this CON application and initiation of the Service by BMG, Baptist Rehabilitation-Germantown will voluntarily surrender the hospital MRI service approved in CN9812-084A.

March 27, 2015**10:28 pm****4. Section A, Project Description, Item 13**

The participation of Baptist Medical Group in all active TennCare MCOs is noted. Please briefly describe the potential for increases in TennCare utilization of the MRI service based on new operation by BMG.

An immediate benefit of the project appears to be interpretation of MRI images by radiologists employed by BMG. Please describe the arrangement planned for their participation in the TennCare MCOs noted in this item of the application. If billing separately, it would be helpful to include names, medical and provider license numbers of the radiologists involved in this regard.

Response

The projected TennCare/Medicaid utilization is projected to be approximately 8.2% of revenue. Traditionally about 2.3% of MRI patients have had TennCare/Medicaid as the primary funding source. As discussed in the application, patients will be referred from BMG physicians' offices across the region which will improve communications and enhance information about the convenient availability of the Germantown location.

The interpretation of the images will be provided Mid-South Imaging and Therapeutics, P.A. ("MSIT") that has served the Memphis area for more than 40 years. BMG will be billing globally for services provided at the proposed BMG Germantown location.

March 27, 2015**10:28 pm****5. Section B, Project Description, Item I.A**

The executive summary of the project is noted. If approved, it appears that the project will be the applicant's first experience in operating a fixed MRI service in the proposed primary service area. Please add a brief description of the plans for oversight by BMG's governing body and daily operation of the MRI service, including medical supervision and the patient accounts management system, at a minimum.

Please include confirmation of the transferring hospital or owner's intent to surrender the original Certificate of Need initiating MRI services at this location (CN9812-084A).

Review of HSDA Equipment Registry records and the 2013 Joint Annual Report for Baptist Rehabilitation-Germantown (BRG) revealed a fixed unit at the hospital and an off-site BRG-Briarcrest shared MRI unit with utilization of 1,212 procedures and 613 procedures, respectively, in CY2013. To what extent, if any, does the proposed change in operation of the fixed unit at the hospital impact operations of the off-site BRG-Briarcrest shared unit? Please explain.

It appears that the service area of the MRI service would change given the new operation by BMG based on a projected 2-fold increase in utilization from existing volumes and the discontinuation of services for Baptist Rehab-Germantown inpatients. Please include a brief description of the service area in the summary, including the names of the counties that are expected to account for 80% or more of the applicant's projected utilization in Year 1.

Response

BMG is led by a Board of Directors comprised of 19 physicians and 3 executives of Baptist Memorial Healthcare Corporation (BMHCC). BMHCC has experience with MRI operation in various settings. The BMG board will ultimately oversee the MRI service.

From a daily operation, the Director of Radiology for Baptist Medical Group, Don Hubbard, has 30 years' experience in the field of radiology. Mr. Hubbard has served 23 years of that time in the capacity Director of Radiology for Baptist and was one of the first technologists in the country to perform MRI scans in 1985. He was also the first MRI Application Specialist for Siemens Medical Systems, U.S.A. As Director of Radiology Operations, Mr. Hubbard has been responsible for daily operations of Nuclear Medicine, MRI, CT, Ultrasound, Mammography, Dexa scans, and Interventional Radiology for both the hospital as well as outpatient imaging center settings. Mr. Hubbard started the first and also the most credentialed imaging center in Jonesboro in 2002. He recently transferred from NEA Baptist Clinic in Jonesboro after 13 years as Director of Radiology to the BMG

March 27, 2015**10:28 pm****BMG Involvement with other existing MRI sites**

As previously stated BMG is the majority member of the West Tennessee Imaging Center, which is BMG's other MRI involvement at this time in Tennessee. Medical supervision and interpretation at the West Tennessee Imaging ODC will be provided by Mid-South Imaging and Therapeutics, P.A. ("MSIT"), which has served the Memphis area for more than 40 years. MSIT will also provide supervision and interpretation for this proposed Baptist Rehabilitation-Germantown location of BMG.

The Director of Radiology for Baptist Medical Group, Don Hubbard, has 30 years' experience in the field of radiology. Mr. Hubbard has served 23 years of that time in the capacity as Director of Radiology for Baptist and was one of the first technologists in the country to perform MRI scans in 1985. He was also the first MRI Application Specialist for Siemens Medical Systems, U.S.A. As Director of Radiology Operations, Mr. Hubbard has been responsible for daily operations of Nuclear Medicine, MRI, CT, Ultrasound, Mammography, Dexa scans, and Interventional Radiology for both the hospital as well as outpatient imaging center settings. Mr. Hubbard started the first and also the most credentialed imaging center in Jonesboro in 2002. He recently transferred from NEA Baptist Clinic in Jonesboro after 13 years as Director of Radiology to the BMG corporate office as Director of Radiology Operations for all BMG physician owned practices.

Baptist Memorial Health Care Institutions

Baptist Memorial Health Care Corporation has interests in institutions in Tennessee, Mississippi and Arkansas. The list of Tennessee entities is provided on the following page.

March 27, 2015**10:28 pm**

corporate office as Director of Radiology Operations for all BMG physician owned practices.

Medical supervision will be structured similar to how it is currently for the MRI. Mid-South Imaging and Therapeutics, P.A. (MSIT) will continue to provide medical supervision and interpretation for this proposed Baptist Rehabilitation-Germantown location of BMG. MSIT has served the Memphis area for more than 40 years.

Patient accounts management will be handled through the BMHCC EPIC electronic health record. BMG has staff which are trained to manage the patient accounts.

As previously stated in response to other questions, upon approval of this CON application and initiation of the Service by BMG, Baptist Rehabilitation-Germantown will voluntarily surrender the hospital MRI service approved in CN9812-084A. BRG will continue operation of the MRI at BRG-Briarcrest that is shared with an orthopedic physician's practice. The proposed transfer of the MRI on Exeter Road to BMG is not expected to effect operation or utilization of the shared unit at Briarcrest. The shared unit was approved in a separate CON application. If any changes are ever necessary in the shared MRI arrangement, another separate application or notification to the HSDA will be completed as necessary.

Traditionally, the service area for the MRI at the hospital has been primarily Shelby County followed by the Tennessee Counties of Fayette and Tipton. In 2014, MRI patients in Shelby were 61%, in Fayette were 17% and in Tipton were 2% for a combination equal to approximately 80% of the total. That distribution is anticipated to continue after the transfer of operation to BMG. The increase in utilization is anticipated from the enhanced communication among the BMG physicians with the centralized electronic patient medical record in the BMHCC EPIC information system as a catalyst.

March 27, 2015**10:28 pm****6. Section B, Project Description, Item II A.**

The description is noted. It is understood that no construction is necessary; however, \$3,500 in architectural and engineering fees and \$75,000 in a contingency reserve has been included in the project's total cost. Please clarify why these amounts are included in the total estimated project cost.

The location of the MRI unit appears to be on the ground floor in lieu of the first floor location on the floor drawing. Please clarify.

Please briefly describe how the existing space of the MRI service unit translates to ease of access/use by patients of BMG.

Response

An amount for interior design recommendations including wayfinding signage is included in the architectural and engineering fees section and the contingency amount is included for clean-up/wall-paint and any minor work including floor-covering that may be timely with other changes. Some above the ceiling rerouting of wiring may be necessary but not anticipated. The contingency amount was included in a conservative budgeting process to ensure that all potentially related costs were included.

The MRI is included on the 1st floor which is the ground level entrance from Exeter Road. Entrance at the same level as the service is convenient for patients and the foundation supports the radiology equipment. The slope of the grounds allows a partial lower level that is accessible from other building faces and is used as the powerhouse location for building services and maintenance.

March 27, 2015**10:28 pm****7. Section B, Project Description, Item II.E (MRI Equipment)**

Item 1.a.1. (total cost) - please attach a statement from the vendor that attests to the estimated \$420,000 - \$480,000.00 value of the unit in the applicant's 3/12/15 letter of intent submitted with the application. In your response, please also identify the estimated replacement cost of a new unit similar to the existing Siemens 1.5 Tesla open MRI unit.

Response

A statement is provided from Siemen's following this page to validate that \$480,000, the value used for the equipment in the financial projections, is conservatively at the higher of the range for estimated equipment value. The estimated equipment replacement cost is also provided by Siemens.

Item 1.a.2 (expected useful life) - it appears that the existing MRI unit has been operating for approximately 15 years. Please identify the year purchased and estimated remaining useful life before replacement of the unit is necessary.

Response

The following listing from the HSDA's Medical Equipment Registry is for the MRI at Baptist Rehabilitation - Germantown and shows that the unit is less than 6 years old. It had an expected useful life of 7 years in the Notice of Replacement that was filed with the Agency.

MRI		Brand Name: Siemens Magnetom Espree	Date Acquired: 7/13/2009
Owned/Leased:	Owned	Equipment Leased or Owned By:	
Cost:	\$1,452,654.00	Shared? No	Shared With:
Fixed/Mobile:	Fixed	Number of Mobile/Shared Days Used: 0	Life of Unit (years) 0
Serial Number:	30839	Assigned ID (Provider Assigned):	
MRI		Linear Accelerator	
Tesla Strength:	1.5	Types:	Single/Dual Energy:
Magnet Type:	Open	MEV:	Photon/Photon Electron:

The equipment has been covered by a maintenance contract as indicated on following page and will continue to operate under the maintenance agreement as indicated in the project costs chart and in the financial projections. The remaining expected useful life of the equipment is at least 5 years as indicated from Siemens.

March 27, 2015**10:28 pm****SIEMENS****Healthcare**

March 26, 2015

Baptist Memorial Healthcare
350 North Humphreys Blvd
Memphis, TN 38120

To Whom It May Concern:

The estimated Fair Market Value of the Espree MRI Machine ("Equipment") at Baptist Memorial located in Germantown, TN, and which was purchased from Siemens Medical Solutions USA, Inc. in 2008, is between \$480,000 and \$500,000. The useful life, which is dependent on proper service and not guaranteed, is between 12-15 years from the original purchase date. The estimated cost of replacement, depending on configuration and type of magnet, can range from \$1,500,000 - \$2,000,000.

Baptist Memorial is hereby advised that moving, servicing and bringing the Equipment's magnets down and up to field must be performed by Siemens-trained and qualified service personnel.

If you have any questions, please do not hesitate to contact Siemens.

Thank You,



Arlene Gonzalez
Zone Controller
Siemens Medical Solutions USA, Inc.
Customer Solutions Group

March 27, 2015**10:28 pm**

Item 1.a.3 (clinical applications) - the applications by standard CPT code are noted. With budgeted costs for imaging interpretation fees in the Projected Data Chart page 24 of \$172,800 in Year 1, will MRI images be interpreted by board certified, TN licensed radiologists who are employees of the practice or by contract with other radiologists? Please briefly describe the arrangement planned for covering the costs of professional imaging interpretation fees, including billing of same by BMG, as appropriate.

Response

As stated in response to other questions, MSIT will continue to provide interpretation for this proposed BMG MRI through a contracted arrangement. Global billing for the service will be handled by BMG. MRI images will be interpreted by board certified, TN licensed radiologists. On the following pages, the CV for Dr, Frank Eggers who currently serves at the Germantown location is attached. Other MSIT Radiologists who will interpret for the BMG MRI include Dr. Randy J. Horras, Dr. David Acker, Dr. Scott Didier, Dr, Timothy Craig Nauert, Dr. George W. Gallimore and Dr. Alan David Eisenberg.

Item 1.a.4 (FDA approval) - please submit a copy of the FDA approval letter pertaining to the existing 1.5 tesla MRI unit.

Response

A copy of the FDA approval letter is provided on a following page.

Item 1.b (schedule of MRI service) - please identify the hours of operation, including days of week of the applicant's proposed MRI service

Response

The hours of operation will be 7:30 am to 5:00pm Monday through Friday. Callback and/or extended shifts and/or weekend shifts will occur as required.

March 27, 2015

10:28 pm

CV

Dr Frank Eggers

March 27, 2015
(REV. 10/1/14)
10:28 pm

Curriculum Vitae**Frank M. Eggers, II, M.D., F.A.C.R.**

BACKGROUND: Born: February 17, 1945 in Maryville, Tennessee
Attended public schools and active in intramural and varsity athletics

FAMILY: Married in 1968 to Sandy J. Eggers, Ph.D.
One daughter, Leann E. Linam, M.D., born June 26, 1973;
Married to W. Matthew Linam, M.D.
One son, D. Hamilton Eggers, born September 3, 1975;
Married to Ashley Saylor Eggers
Two granddaughters, and three grandsons.

CURRENT HOME ADDRESS: 5498 North Angela Road
Memphis, Tennessee 38120

HOME TELEPHONE: (901) 685-7262 **CELL PHONE:** (901) 601-7508
HOME FAX: (901) 767-5279 **EMAIL:** feggers@msn.com

CURRENT BUSINESS: Mid-South Imaging & Therapeutics, P.A.
ADDRESS: 6305 Humphreys Blvd., Suite 205
Memphis, TN 38120

BUSINESS TELEPHONE: (901) 747-1000
FAX: (901) 747-1001

COLLEGE: Maryville College, Maryville, Tennessee, 1963-1967
Graduated with a BS in Chemistry, magna cum laude.
Member of chemical, biological and scholastic honor societies.
Lettered four years in varsity football and received an NCAA academic postgraduate scholarship

MEDICAL SCHOOL: Vanderbilt University Medical School
Nashville, Tennessee, 1967-1971, M.D.
Recipient of the Justin and Valerie Potter Memorial Merit Scholarship

INTERNSHIP: Department of Surgery, 1971-1972
Parkland Memorial Hospital
University of Texas Southwestern Medical School
5201 Harry Hines Boulevard
Dallas, Texas 75235
(214) 590-8000
G. Tom Shires, M.D., Chairman

RESIDENCY: Diagnostic Radiology, July 1975-June 1978
University of Cincinnati Medical Center
Cincinnati General Hospital
234 Goodman Street
Cincinnati, Ohio 45267
Jerome F. Wiot, M.D. Chairman (now deceased)
Mary Mahoney, M.D. - Interim Chairman (2014)

March 27, 2015**10:28 pm**

FRANK M. EGGERS, II, M.D., F.A.C.R.
CURRICULUM VITAE
PAGE 2

FELLOWSHIP: Neuroradiology, July 1978-June 1979
University of Cincinnati Medical Center
Cincinnati General Hospital
234 Goodman Street
Cincinnati, Ohio 45267
Robert R. Lukin, M.D., Head, Division of Neuroradiology
(Current Division Head - Thomas A. Tomsick, M.D.)

BOARD

CERTIFICATION: National Board of Medical Examiners (#119705)
July 1, 1972

American Board of Radiology - Diagnostic Radiology
June 1978

American Board of Radiology - CAQ Neuroradiology
February 1994
Recertification CAQ Neuroradiology - July 2005

PROFESSIONAL

AFFILIATIONS: American College of Radiology, 1979- present; (Fellow '97)
Alternate councilor Tennessee - 1995-1997;
Councilor Tennessee - 1998-2000
The Radiological Society of North America -1975 - present;
Cincinnati Society of Neurology and Neurosurgery
(1979-1981);
Ohio State Radiological Society (1978-1981)
American Society of Neuroradiology (Sr. Member:
1979-Present)
Cincinnati Academy of Radiology (1979-1981)
Middle Tennessee Radiological Society (1981-1983)
Southeastern Neuroradiological Society (1981-Present;
Treasurer-1992-1993; Vice President/President
Elect/Program Chairman-1994; President-1995)
Memphis/Shelby County Medical Society (1983-Present)
Memphis Roentgen Society (1983-Present)
Tennessee Medical Society (1981-Present)
Tennessee Radiological Society (1981-Present)
Secretary/Treasurer (2000-2001)
Chairman Fellowship Committee (1998-2010)
President-elect (2001- 2002)
President - (2002 - 2004)
Program Chair - (2003 - 2010)
American Medical Association (1983-2010)
American Society of Head and Neck Radiology
Roentgen Ray Society
American Society of Spine Radiology
American Society of Interventional and Therapeutics
Neuroradiology; Associate Member (2000-2010)
American Society of Functional Neuroradiology(2005- present)

FRANK M. EGGERS, II, M.D., F.A.C.R.
CURRICULUM VITAE
PAGE 3

LICENSURE:	Virginia	#0101023234	1973 (current)
	Ohio	#038115	1975 (current)
	Kentucky	#20330	1979 (inactive)
	Indiana	#29242	1979 (inactive)
	Tennessee	#13451	1981 (current)
	Arkansas	#E-0932	1996 (current)
	Mississippi	#15171	1997 (current)

MILITARY: United States Navy, July 1, 1972 - December 10, 1974

March 27, 2015**10:28 pm**

Navy Flight Surgeon - stationed at Pensacola, Florida
and Norfolk, Virginia

APPOINTMENTS:

Instructor Radiology - University of Cincinnati
Cincinnati General Hospital
234 Goodman Street
Cincinnati, Ohio 45267
July 1, 1979 - June 30, 1981

Consultant Neuroradiologist:

- 1) St. Elizabeth's Hospital
401 East 20th Street
Covington, Kentucky 41041
July 1980 - June 1981
- 2) St. Luke's Hospital
85 North Grand Avenue
Ft. Thomas, Kentucky 41075
July 1980 - June 1981
- 3) Good Samaritan Hospital
375 Dixmyth
Cincinnati, Ohio 45220
July 1980 - June 1981

Consultant Radiologist:

William Booth Memorial Hospital
7380 Turfway Road
Florence, Kentucky 41042
July 1979 - June 1981

Assistant Professor Radiology - Vanderbilt
University (July 1981 - May 1983)

Staff Neuroradiologist
Baptist Memorial Hospital
May 1983 - Present

Chief, Section Neuroradiology (1990 - 2000)

Member Mid-South Imaging Board of Directors - 10/93-9/98

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REFERENCES:**PROFESSIONAL:**

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Cincinnati, Ohio 45267

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PUBLICATIONS:

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J. Neurosurgery 51 (4): 543-545, October 1979.
- (2) Tomsick TA; Eggers FM; Lukin RR; Sprich W; Chambers AA;
Detachable balloon closure of carotid-jugular fistulas in
dogs. Invest Radiology 15 (6): 481-489, November-December 1980.
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- (6) Eggers FM; Price AC; Allen JH; James AE, Jr.: Neuroradiologic applications of intraarterial digital subtraction angiography. AJNR 4 (3): 854-856, May-June 1983.
- (7) Price AC; Allen JH; Eggers FM; Shaff MI; James AE, Jr.: Intervertebral disk-space infection: CT changes. Radiology 149 (3): 725-729, December 1983.
- (8) Clark WC; Moretz WH, Jr.; Acker JD; Gardner LG; Eggers FM; Robertson JH: Nonsurgical management of small and intracanalicular acoustic tumors. Neurosurgery 16 (6): 801-803, June 1985.
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- (10) Acker JD; Wood GW, II; Moinuddin M; Eggers FM: Radiographic Manifestations of Spine Infection. In Spine: State of the Art Reviews, Vol. 3, No. 3: 403-418, September 1989, Philadelphia, Hanley & Belfus, Inc.
- (11) Javan, R, Duszak, R. Jr., Eisenberg, AD, Eggers, FM. Spontaneous Pneumocephalus after Commercial Air Travel, Complicated by Meningitis Aviation, Space, and Environmental Med. 2011 Dec. 82(12) 1053-6

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PRESENTATIONS:

- (1) Aspects of Digital Radiography
Southeastern Neuroradiologic Society (SENRS) Annual Meeting;
Palm Beach, FL, October 1981
- (2) Neuroradiologic Application of Intraarterial Digital Subtraction Angiography; International Symposium Neuroradiological; Washington, DC, 1982
- (3) Neuroradiologic Application of Intraarterial Digital Subtraction Angiography; RSNA Annual Meeting; Chicago, IL, November 1982
- (4) Neuroradiology: What's Hot and What's Not!
Invited lecturer for the Kentucky Chapter, American College of Family Practice Annual Meeting; Louisville, KY, May 1984
- (5) Cost Containment for Acoustic Neuroma Screening; SENRS Annual Meeting; Lake Buena Vista, FL, October 1985
- (6) Wada Examination: Is there a role for the neuroradiologist?
SENRS Annual Meeting; Ashville, NC, October 1987
- (7) Incidence of Incidental Pathology Discovered on Screening Exams for Acoustic Neuromas; SENRS Annual Meeting; Boca Raton, FL, September 1988

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- (8) Screening for Metallic Orbital Foreign Bodies for MRI; SENRS Annual Meeting; Longboat Key, FL, October 1990
- (9) MR Angiography--First Year Experience; SENRS Annual Meeting; Williamsburg, VA, October 1991
- (10) Standard of Practice: Should Radiologists Recommend Additional Dx or Rx in Their Dictation or "Just Read the Films?"; Survey of the SENRS and Tennessee Radiologic Society; SENRS Annual Meeting; Williamsburg, VA, October 1991
- (11) Is Teleradiology Adequate for Interpretation of Emergency CT Exams? Evaluation of Accuracy of Diagnosis of Emergency CT Exam Using Photophone DATA Transmission. SENRS Annual Meeting; Williamsburg, VA, October 1991
- (12) Standard of Practice: Should Radiologists Recommend Additional Dx or Rx in their Dictation or Just Read the Films? Survey of the SENRS and Tennessee Radiologic Society; Tennessee Radiological society Annual Meeting; Nashville, TN, April 1991

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- (13) Excerpta Extraordinaire: Memphis, TN
SENRS Annual Meeting; Naples, FL, October 1992
- (14) Meningioma Mimics; SENRS Annual Meeting: Amelia Island, FL,
October 1993
- (15) Unusual CNS Infection: Tularemia - report of a case;
SENRS Annual Meeting: West Palm Beach, FL, October 2000.

**SCIENTIFIC
EXHIBITS:**

- (1) Sialography; Radiological Society of North America (RSNA)
Annual Meeting; Chicago, IL 1977
- (2) Neuroradiologic Application of Intraarterial Digital Subtraction
Angiography; RSNA Annual Meeting, Chicago, IL 1982
- (3) Neuroradiologic Application of Intraarterial Digital Subtraction
Angiography; Roentgen Ray Society Annual Meeting, Atlanta, GA,
April 1983

March 27, 2015**10:28 pm****8. Section B, Project Description, Item III (Plot Plan) and Item IV (Floor Plan)**

Plot Plan - the location of the existing MRI service on the hospital campus is not shown in the plot plan. In addition, it would be helpful to show the main and/or closest entrance to the service for use by patients. Please submit a revised plot plan.

Floor Plan - the plan is illegible and too small to identify the layout of the applicant's proposed MRI service. Please revise by enlarging the drawing of the MRI area and identifying all key areas.

Response

The revised **plot plan** following this page shows the location of the MRI within the footprint of the building on the side facing Exeter Road. Two patient entrances are also shown. One entrance is under a canopy and includes a sloping walk for ADA access. The other entrance is closer to the MRI area upon entry to the building but involves some additional steps through an exterior walking path.

The closest entrance is related to the selection of a parking location in the lot that is in front of the building.

The revised Floor Plan is enlarged and the areas associated with the MRI are marked. Spaces for Waiting and Registration are shared with patients using other services.

<u>AREA NAME</u>	<u>SPACE (sq.ft.)</u>
MRI	395
Control	110
Reading	90
Dressing	35
Waiting	310
Registration	260
TOTAL	1200

SUPPLEMENTAL #1

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FARMINGTON SHOPPING CENTER
PLAT BOOK 97, PAGE 38
SC-1
ZONING

T.B.M.

EXETER ROAD

(106' ROW)

R=1053.00
A=69.94
D=3°48'20"

FARMINGTON SHOPPING CENTER
FIRST ADDITION, PARCEL 2
PLAT BOOK 94, PAGE 81
SC-1
ZONING

251.80
S 89°27'25"W

100.00
N 00°13'53"W

FARMINGTON SHOPPING CENTER
1ST ADDITION, PARCEL 8
PLAT BOOK 94, PAGE 81
SC-1
ZONING

N 76°47'25"W

409.83

S 75°37'23"

185.95
S 21°37'35"W

SC-1 ZONING
C-2 ZONING

221.18
S 17°02'00"E

10.97 Ac.

FARMINGTON SUBDIVISION
SECTION "T"
PLAT BOOK 48, PAGE 53
R-1
ZONING

EXISTING
25' LANDSCAPE
EASEMENT

92.81
S 29°47'28"E

102.68
S 30°55'47"E

102.91
S 25°02'30"E

103.19
S 18°12'16"E

28.83
S 04°50'40"E

569.03
N 87°57'20"E

Patient Entrance

Patient Entrance

BMG
MRI

EXISTING
TWO STORY
BRICK P.O.B.

TWO STORY
HOSPITAL ADDITION

EXISTING
TWO STORY BRICK
HOSPITAL

ONE STORY
HOSPITAL ADDITION

8 spaces

12 spaces

13 spaces

17 spaces

16 spaces

15 spaces

10 spaces

10 spaces

12 spaces

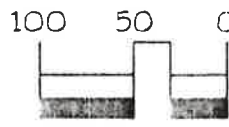
12 spaces

10 spaces

9 spaces

7 spaces

14 spaces



SCALE: 1" = 100'



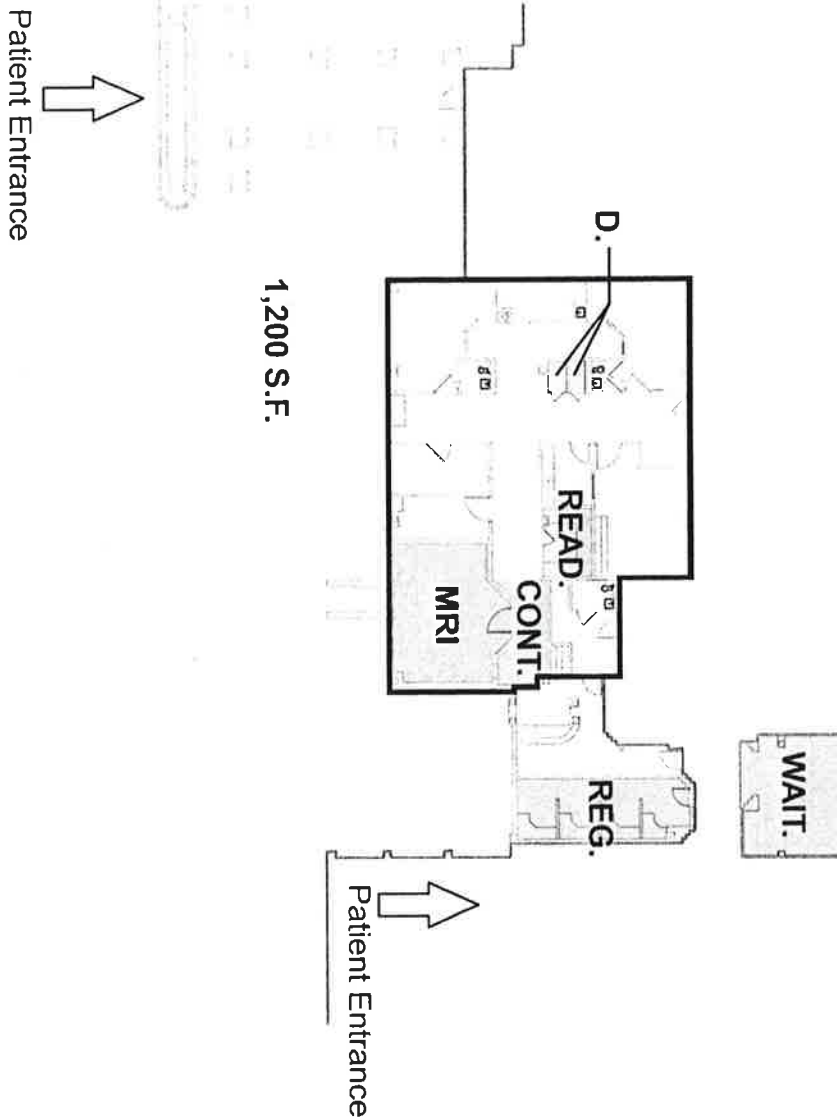
BAPTIST REHABILITATION - GERMANTOWN
Germantown, Tennessee

SUPPLEMENTAL #1

March 27, 2015

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FIRST FLOOR PLAN - MRI



BAPTIST MEDICAL GROUP - MRI

GERMANTOWN, TENNESSEE

03/24/2015

ES&J
P14100.00

March 27, 2015**10:28 pm****9. Section C, Need, Item 1 (Specific Criteria, MRI and State Health Plan)**

MRI Specific Criteria - The response is noted. Based on the applicant's proposal to initiate MRI services based on transferring operations from the hospital to BMG, your responses to the specific criteria would be helpful to a better understanding of the nature and scope of the project with respect to medical supervision, image interpretation, expanded use by residents of the proposed primary service area, etc.. Accordingly, please provide responses to the criteria and standards for MRI. A copy of same is found in Exhibit I at the end of this questionnaire.

State Health Plan- Please provide responses to the each of the 5 key principles of the plan. A copy of the principles is attached as Exhibit 2 at the end of the questionnaire.

Response

The items are completed on the attached pages.

March 27, 2015**10:28 pm****Exhibit 1 - MRI Project Specific Criteria; Section C, Need, Item 1****Magnetic Resonance Imaging
Standards and Criteria****1. Utilization Standards for non-Specialty MRI Units.**

- a. An applicant proposing a new non-Specialty stationary MRI unit should project a minimum of at least 2160 MRI procedures in the first year of service, building to a minimum of 2520 procedures per year by the second year of service, and building to a minimum of 2800 procedures per year by the third year of service and for every year thereafter.

Response

The project will not result in any additional MRI capacity in the community. CON approval is necessary to transfer operational management of the service from BRG to BMG which are both within the same health care system. Because the transfer will be an initiation of MRI services for BMG, responses to the specific criteria are provided.

As discussed in other sections of the CON application, the projected BMG scans are based on surveys and analyses performed by BMG Directors for metro locations and confirmed through discussions with physicians.

The projection for year 1 is 2,560 MRI procedures and for year 2 is 2,637 MRI procedures. The projection for year 3 is 2,808 procedures.

- b. Providers proposing a new non-Specialty mobile MRI unit should project a minimum of at least 360 mobile MRI procedures in the first year of service per day of operation per week, building to an annual minimum of 420 procedures per day of operation per week by the second year of service, and building to a minimum of 480 procedures per day of operation per week by the third year of service and for every year thereafter.

Response

N/A

- c. An exception to the standard number of procedures may occur as new or improved technology and equipment or new diagnostic applications for MRI units are developed. An applicant must demonstrate that the proposed unit offers a unique and necessary technology for the provision of health care services in the Service Area.

Response

N/A

- d. Mobile MRI units shall not be subject to the need standard in paragraph 1b if fewer than 150 days of service per year are provided at a given location. However, the applicant must demonstrate that existing services

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in the applicant's geographical area are not adequate and/or that there are special circumstances that require these additional services.

Response

N/A

2. Access to MRI Units. All applicants for any proposed new MRI Unit should document that the proposed location is accessible to approximately 75% of the service area's population. Applications that include non-Tennessee counties in their proposed service areas should provide evidence of the number of existing MRI units that service the non-Tennessee counties and the impact on MRI unit utilization in the non-Tennessee counties, including the specific location of those units located in the non-Tennessee counties, their utilization rates, and their capacity (if that data are available).

Response

The location of BRG is within access to the service area's population. A factor in selection of BRG is the location in relation to BMG physician offices.

3. Economic Efficiencies. All applicants for any proposed new MRI Unit should document that alternate shared services and lower cost technology applications have been investigated and found less advantageous in terms of accessibility, availability, continuity, cost, and quality of care.

Response

BMHCC has considered alternate options as the BMG physician practice needs for patients have continued to grow. BMHCC is continuing to adjust service delivery as are other health care systems. The rehabilitation beds at BRG were recently relocated to a new facility and the skilled nursing facility, which was designed to accommodate the continuing needs of rehabilitation patients has been placed into inactive status while future plans are developing. The BRG outpatient services remain active and needed in the community. Throughout the system, facilities and services are continuously adjusting to improve access to meet health care needs in an economically efficient manner within a framework of evolving federal policies.

This project will improve the operational efficiencies of an existing resource and is positioned to respond to BMG needs with an economically effective solution. There is no major renovation required. The only potential facility cost may be incurred for some minor refurbishment of the finishes such as paint and floor covering. The facility provides high quality services and currently meets all requirements of an operating hospital department. The MRI imaging equipment is less than 6 years old and has useful life of up to 20 years if appropriately maintained as stated in the letter provided in the CON application.

March 27, 2015**10:28 pm****4. Need Standard for non-Specialty MRI Units.**

A need likely exists for one additional non-Specialty MRI unit in a Service Area when the combined average utilization of existing MRI service providers is at or above 80% of the total capacity of 3600 procedures, or 2880 procedures, during the most recent twelve-month period reflected in the provider medical equipment report maintained by the HSDA. The total capacity per MRI unit is based upon the following formula:

Stationary MRI Units: 1.20 procedures per hour x twelve hours per day x 6 days per week x 50 weeks per year = 3,600 procedures per year

Mobile MRI Units: Twelve (12) procedures per day x days per week in operation x 50 weeks per year. For each day of operation per week, the optimal efficiency is 480 procedures per year, or 80 percent of the total capacity of 600 procedures per year.

Response

The chart below shows operations at BMHCC MRI locations. The most recent twelve-month period reflected in the provider medical equipment report maintained by the HSDA is CY 2013.

	MRI SCANS			
BMHCC LOCATION	2011	2012	2013	UNITS
BMH Collierville	1,891	1,734	1,593	1 Fixed
BMH Memphis	12,052	11,913	11,280	3 Fixed
BMH for Women			72	Not full Yr
Baptist Rehab - Germantown	1,622	1,596	1,212	1 Fixed
Baptist Rehab - Briarcrest	585	650	613	(Shared) 0.5
BMH Tipton	1,143	1,265	1,153	1 Fixed
TOTAL	17,293	17,158	15,923	
Average for 6.5 units	2,660	2,640	2,450	
TOTAL	17,293	17,158	15,923	
Average for 5.5 units	3,144	3,120	2,895	
TOTAL w/o Tipton	16,150	15,893	14,770	
Average for 5.5 Units	2,936	2,890	2,685	
Average for 4.5 Units	3,589	3,532	3,282	

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The table shows that the average for the BMHCC units in 2013, including the Tipton location was 2,450 or approx. 85% of the 2,880 level. However, if the calculation is performed for 5.5 units which is a reduction of one unit, the utilization average for 2013 is 2,895 which is above the 2,880 level indicating a need for a unit and that 6.5 are reasonable. The need is also indicated for community access. The difference does not allow a reduction of a unit in the area.

The calculations are shown at the bottom of the table omit the Tipton unit and scans. Based on the calculation without Tipton at 5.5 units, the value of 2,685 is approx. 93% of the 2,880 level. Repeating the calculation for 4.5 units results in an average of 3,282 for 2013 which is well above the 2,880 level. The difference does not allow a reduction of a unit in the area.

Tipton is included in the service area due to historical utilization at BRG. The MRI unit at Tipton is for access for Tipton patients. Related to the proposed operation by BMG, the unit at Tipton is not related to applying the criteria in the same way.

5. Need Standards for Specialty MRI Units.

Response

N/A

- a. Dedicated fixed or mobile Breast MRI Unit. An applicant proposing to acquire a dedicated fixed or mobile breast MRI unit shall demonstrate that annual utilization of the proposed MRI unit in the third year of operation is projected to be at least 1,600 MRI procedures (.80 times the total capacity of 1 procedure per hour times 40 hours per week times 50 weeks per year), and that:
 1. It has an existing and ongoing working relationship with a breast-imaging radiologist or radiology proactive group that has experience interpreting breast images provided by mammography, ultrasound, and MRI unit equipment, and that is trained to interpret images produced by an MRI unit configured exclusively for mammographic studies;
 2. Its existing mammography equipment, breast ultrasound equipment, and the proposed dedicated breast MRI unit is in compliance with the federal Mammography Quality Standards Act;
 3. It is part of an existing healthcare system that provides comprehensive cancer care, including radiation oncology, medical oncology, surgical

oncology and an established breast cancer treatment program that is based in the proposed service area.

4. It has an existing relationship with an established collaborative team for the treatment of breast cancer that includes radiologists, pathologists, radiation oncologists, hematologist/oncologists, surgeons, obstetricians/gynecologists, and primary care providers.
- b. Dedicated fixed or mobile Extremity MRI Unit. An applicant proposing to institute a Dedicated fixed or mobile Extremity MRI Unit shall provide documentation of the total capacity of the proposed MRI Unit based on the number of days of operation each week, the number of days to be operated each year, the number of hours to be operated each day, and the average number of MRI procedures the unit is capable of performing each hour. The applicant shall then demonstrate that annual utilization of the proposed MRI Unit in the third year of operation is reasonably projected to be at least 80 per cent of the total capacity.
- c. Dedicated fixed or mobile Multi-position MRI Unit. An applicant proposing to institute a Dedicated fixed or mobile Multi-position MRI Unit shall provide documentation of the total capacity of the proposed MRI Unit based on the number of days of operation each week, the number of days to be operated each year, the number of hours to be operated each day, and the average number of MRI procedures the unit is capable of performing each hour. The applicant shall then demonstrate that annual utilization of the proposed MRI Unit in the third year of operation is reasonably projected to be at least 80 per cent of the total capacity.
6. Separate Inventories for Specialty MRI Units and non-Specialty MRI Units. Breast, Extremity, and Multi-position MRI Units shall not be counted in the inventory of non-Specialty fixed or mobile MRI Units, and an inventory for each category of Specialty MRI Unit shall be counted and maintained separately. None of the Specialty MRI Units may be replaced with non-Specialty MRI fixed or mobile MRI Units and a Certificate of Need granted for any of these Specialty MRI Units shall have included on its face a statement to that effect. A non-Specialty fixed or mobile MRI Unit for which a CON is granted for Specialty MRI Unit purpose use-only shall be counted in the specific Specialty MRI Unit inventory and shall also have stated on the face of its Certificate of Need that it may not be used for non-Specialty MRI purposes.

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7. Patient Safety and Quality of Care. The applicant shall provide evidence that any proposed MRI Unit is safe and effective for its proposed use.

- a. The United States Food and Drug Administration (FDA) must certify the proposed MRI Unit for clinical use.

Response

Please refer to the letter from the FDA that is provided in previous response.

- b. The applicant should demonstrate that the proposed MRI Procedures will be offered in a physical environment that conforms to applicable federal standards, manufacturer's specifications, and licensing agencies' requirements.

Response

The demonstration is provided since the MRI unit is operational and will continue with same personnel and medical supervision in place.

- c. The applicant should demonstrate how emergencies within the MRI Unit facility will be managed in conformity with accepted medical practice.

Response

The demonstration is provided since the MRI unit is operational and will continue with same personnel and medical supervision in place.

- d. The applicant should establish protocols that assure that all MRI Procedures performed are medically necessary and will not unnecessarily duplicate other services.

Response

Protocols are established and will continue since the MRI unit is operational and will continue.

- e. An applicant proposing to acquire any MRI Unit, including Dedicated Breast and Extremity MRI Units, shall demonstrate that:

- f. All applicants shall commit to obtain accreditation from the Joint Commission, the American College of Radiology, or a comparable accreditation authority for MRI within two years following operation of the proposed MRI Unit.

Response

The unit is ACR accredited and it will be transferred to BMG.

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- g. All applicants should seek and document emergency transfer agreements with local area hospitals, as appropriate. An applicant's arrangements with its physician medical director must specify that said physician be an active member of the subject transfer agreement hospital medical staff.

Response

Established emergency agreements will continue.

8. The applicant should provide assurances that it will submit data in a timely fashion as requested by the HSDA to maintain the HSDA Equipment Registry.

Response

BMG will continue to submit data in a timely fashion as requested by the HSDA to maintain the HSDA Equipment Registry

9. In light of Rule 0720-11.01, which lists the factors concerning need on which an application may be evaluated, and Principle No. 2 in the State Health Plan, "Every citizen should have reasonable access to health care," the HSDA may decide to give special consideration to an applicant:

Response

BMG is enrolled in the Medicare and has TennCare MCO contracts.

- a. Who is offering the service in a medically underserved area as designated by the United States Health Resources and Services Administration;
- b. Who is a "safety net hospital" or a "children's hospital" as defined by the Bureau of TennCare Essential Access Hospital payment program; or
- c. Who provides a written commitment of intention to contract with at least one TennCare MCO and, if providing adult services, to participate in the Medicare program.

March 27, 2015**10:28 pm****Section C, Need, Item 1 (State Health Plan)**

Please discuss how the proposed project will relate to the 5 Principles for Achieving Better Health of the State Health Plan. Each Principle is listed below with example questions to help the applicant in its thinking.

1. The purpose of the State Health Plan is to improve the health of Tennesseans.

- a. How will this proposal protect, promote, and improve the health of Tennesseans over time?

Response

This proposal will improve utilization of an existing health care resource without duplicating resources.

- b. What health outcomes will be impacted and how will the applicant measure improvement in health outcomes?

Response

Use of the equipment will enhance the coordination of diagnostic capabilities in the health care system. Improvements can be measured in time required to schedule and receive services, patient satisfaction and efficient and effective communication.

- c. How does the applicant intend to act upon available data to measure its contribution to improving health outcomes?

Response

The access to the diagnostic capability and the electronic medical record will facilitate communication and collaboration.

2. Every citizen should have reasonable access to health care.

- a. How will this proposal improve access to health care? You may want to consider geographic, insurance, use of technology, and disparity issues (including income disparity), among others.

Response

Access through communication across a large service area will improve the matching available capacities with individual patient needs. For example, a higher proportion of Medicaid patients are anticipated at this location. Access is not restricted by existing health status, employment, income, geography or culture.

- b. How will this proposal improve information provided to patients and referring physicians?

Response

Through the electronic medical record system, consolidated medical record will be available to both patients and physicians.

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- c. How does the applicant work to improve health literacy among its patient population, including communications between patients and providers?

Response

Access to information will be provided at the points of service. Community resources for information will be identified for the patient.

3. The State's health care resources should be developed to address the needs of Tennesseans while encouraging competitive markets, economic efficiencies, and the continued development of the State's health care system.

- a. How will this proposal lower the cost of health care?

Response

This proposal will improve utilization of an existing health care resource without requiring capital funds that can be used for other health care services.

- b. How will this proposal encourage economic efficiencies?

Response

This proposal will more efficiently coordinate distribution of workflow to reduce time delays for patients and shorten waits for professionals in delivering the service.

- c. What information will be made available to the community that will encourage a competitive market for health care services?

Response

The community will have another access to a type of care through a distribution of service settings. A service that was operated by a hospital and included inpatient care will be operated by a physician group through an outpatient setting.

March 27, 2015**10:28 pm****10. Section C, Need, Item 3 and 4.A**

The responses are noted. The applicant states that the proposed primary service area (PSA) is reasonable since it represents the origin of current patients served at Baptist Rehab-Germantown (BRG) and the locations served by physicians of the medical group. As such, please show resident MRI utilization by completing the table below. Please contact Alecia Craighead, Stat III, for assistance with data from the HSDA Equipment Registry.

Patient Origin Trend by Residents of Applicant's PSA, 2011-2013

County of Residence	Residents MRI Scans 2011	Resident MRI Scans 2012	PSA MRI Scans - 2013	% Change '11-'13	2013 Total Provider MRI Scans	2013 Resident Scans as a % of Total Scans of Providers located in County	2013 Resident Scans as a % of BRG Scans
Shelby							
Fayette							
Other TN Counties							
TN Total							

Response

The completed table above is provided on the following page.

SUPPLEMENTAL #1**March 27, 2015****10:28 pm**

County of Residence	Residents MRI Scans 2011	Resident MRI Scans 2012	PSA MRI Scans - 2013 (With Tipton)	PSA MRI Scans - 2013 (Without Tipton)	% Change '11-'13	2013 Total Provider MRI Scans	2013 Resident Scans as a % of Total Scans of Providers located in County	2013 Resident Scans as a % of BRG Scans
Shelby	73,943	71,878	76,968	72,520	-5.81%	69,647	99.19%	1.25%
Fayette	2,818	2,983	157	154	19.69%	3,373	4.24%	1.66%
Tipton	5,753	5,641	952	-	1.10%	5,816	15.56%	0.58%
Other TN Counties	N/A	N/A	4,104	9,507		482,581		
TN Total	N/A	N/A	82,181	82,181		561,417		

March 27, 2015**10:28 pm****11. Section C, Need, Item 5**

The table is noted. Some additional information would be helpful to further illustrate historical utilization in the PSA. Please complete the revised table below using data from the HSDA Equipment Registry.

Historical Utilization of Existing MRI Providers in Applicant's PSA, 2011-2013

Provider Name	Current # units (type)	County	Distance from existing BRG unit (miles)	2011	2012	2013	% Change '11-'13	2013 procedures by PSA Residents
Total								

Response

The completed table above is provided on the following page. While the driving distance to other locations is good information, the location is reasonably surrounded by the BMG office locations in the Metro area. A location away from the BMG office locations would potentially not be as effective for coordinating patient care. Convenience enhances efficiencies such as scheduling diagnostic tests in conjunction with office visits. The new electronic information system will facilitate scheduling.

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Provider Name	Current # units (type)	County	Distance from existing BRG unit (miles)	2011	2012	2013		2013 procedures by PSA Residents	2013 procedures by PSA Residents wo Tipton
BMH Collierville	1 Fixed	Shelby	7.4 miles	1,891	1,734	1,593	-16%	1127	1122
BMH Memphis	3 Fixed	Shelby	5.6 miles	12,052	11,913	11,280	-6%	8390	7875
BMH for Women	1 Fixed	Shelby	4.8 miles			72		57	53
Baptist Rehab - Germantown	1 Fixed	Shelby	0 miles	1,622	1,596	1,212	-25%	958	924
Baptist Rehab - Briarcrest	1 Fixed (Shared)	Shelby	3.6 miles	585	650	613	5%	534	508
Delta Medical Center	1 Fixed	Shelby	1.1 miles	1,006	787	674	-33%	N/A	N/A
LeBonheur	3 Fixed	Shelby	17.2 miles	4,663	5,357	5,333	14%	2287	2134
Methodist Germantown	2 Fixed	Shelby	0.5 miles	7,698	6,557	6,892	-10%	5844	5736
Methodist South	1 Fixed	Shelby	17.1 miles	4,073	4,139	4,090	0%	3597	3591
Methodist North	2 Fixed	Shelby	15.2 miles	6,058	6,092	6,003	-1%	5609	4559
Methodist University	3 Fixed	Shelby	19.2 miles	9,677	9,803	10,524	9%	7870	7668
Regional Med	1 Fixed	Shelby	19.9 miles	3,927	4,491	4,131	5%	1673	1641
St. Francis	3 Fixed	Shelby	4.2 miles	5,482	5,393	5,326	-3%	4404	4282
St. Francis Bartlett	2 Fixed	Shelby	8.7 miles	3,257	3,642	3,518	8%	3288	2913
St. Jude	4 Fixed	Shelby	21.6 miles	10,031	8,737	8,305	-17%	N/A	N/A
BMH Tipton	1 Fixed	Tipton	36.6 miles	1,143	1,265	1,153	1%	952	0
Campbell Clinic	1 Fixed	Shelby	1.5 miles	6,502	6,321	5,547	-15%	4225	3941
Diagnostic Imaging-Memphis	1 Fixed	Shelby	3.0 miles	6,358	6,538	6,737	6%	6206	5978
MSK Group - Covington Pike	1 Fixed	Shelby	14.1 miles	3,096	3,140	3,013	-3%	2629	2241
MSK Group - Briarcrest	1 Fixed (Shared)	Shelby	3.6 miles	4,508	4,489	4,637	3%	3983	3810

SUPPLEMENTAL #1

March 27, 2015

10:28 pm

Neurology Clinic	1 Fixed (Shared)	Shelby	2.8 miles	3,168	3,160	3,312	5%	3312	3214
Outpatient Diagnostic Center	1 Fixed	Shelby	12.2 miles	2,207	2,214	2,563	16%	2244	1825
Park Ave Diagnostic Center	2 Fixed	Shelby	5.6 miles	3,080	2,681	2,075	-33%	1731	1680
Semmes-Murphey	2 Fixed	Shelby	4.8 miles	7,300	6,490	6,277	-14%	3940	3940
Wesley Neurology	1 Fixed (Shared)	Shelby	2.8 miles	1,398	1,309	1,026	-27%	851	783
West Clinic	1 Fixed	Shelby	5.4 miles	1,662	1,564	1,287	-23%	540	498
Campbell Clinic - Union	1 Fixed	Shelby	19.1 miles	2,290	2,155	2,539	11%	1669	1604
Methodist Healthcare-Fayette Hospital	1 Mobile (Part)	Fayette	32.3 miles	324	271	204	-37%	157	154
TOTAL				115,058	112,488	109,936	-4%	78077	72674

** Driving Distances are from Google Maps

March 27, 2015**10:28 pm****Section C, Need, Item 5**

Review of the HSDA staff summary and application for the existing MRI in CN9812-084A revealed projected utilization of approximately 2,200 MRI procedures per year in Year 2 and after. Was this accomplished? Please briefly discuss the utilization of the existing BRG service from calendar year 2000 up to CY2011.

Response

The Table below indicates that the MRI at BRG passed the 2,200 procedures that were projected in the CON application in the second full year of operation. The BRG location performed 2,360 scans which was 7% higher than predicted.

The MRI was placed into operation at BRG in the Fall of 1999. Data below are from the Joint Annual Report and was reported on a Fiscal Year (FY) rather than a Calendar year (CY) basis. The HSDA registry began encouraging use of the calendar year and BRG reported the CY in 2008 to the HSDA equipment registry. The applicant is unable to confirm that procedures were counted using the same defined CPT codes over the last 16 years. The current annual count is based on specific CPT codes.

The unit was replaced and upgraded in 2009. It is less than 6 years old, has been under continuous maintenance contract which provides updated software and is an effective high quality machine. The open MRI gantry is preferred for some claustrophobic patients and other special needs for more open space.

One of the reasons for transferring operation of the equipment to the BMG network is a benefit gained by increasing awareness of the availability of the equipment. The integrated electronic medical record was implemented at BRG in March 2015. The benefits and positive impact of the new information system are just beginning.

2011	1622	CY	HSDA
2010	1702	CY	HSDA
2009	1267	CY	HSDA
2008	2085	CY	HSDA
2007	2237	FY	JAR
2006	2590	FY	JAR
2005	2509	FY	JAR
2004	2228	FY	JAR
2003	2187	FY	JAR
2002	2506	FY	JAR
2001	2360	FY	JAR
2000	1567	FY	JAR
1999	17	FY	JAR

March 27, 2015**10:28 pm****12. Section C, Need, Item 6**

The applicant has not provided an overview of the methodology used to develop the 2-fold increase in projected utilization of the existing MRI unit. Based on a 4.4% declining trend in MRI utilization of Shelby County MRI providers from CY 2011-2013 some clarification of the projected utilization that justifies the significant increase from historical utilization is needed. Please identify and briefly explain the methodology used to develop the projected MRI volumes in Year 1 and Year 2 of the project. In your response, please also provide an estimate of referrals by specialty to the applicant's MRI service during the first year of operation:

Physician Specialty	# MRI Referrals
Family Practice	873
Internal Medicine	801
Oncology	788
GI	73
Other	25
TOTAL	2,560

Response

As discussed in other sections of the application, the projected BMG scans are based on surveys and analyses performed by BMG Directors for metro locations and confirmed through discussions with physicians.

The steps were:

- 1) Acquire data and annualize MRI scans ordered/referred from the BMG locations
- 2) Weigh (reduce) scan volume possible at BRG based on the distance from the proposed BMG location.

Result: After analysis, adjustments, reductions and confirmation through discussions with physicians, the result for the first year is 2,560 scans.

- 3) Year 2 is based on a simple 3% increase to include other BMG specialties that will be using the BMG MRI at BRG.
- 4) Additional utilization in future years will be the result of BMG growth and specialty physicians moving to access the BRG MRI.

March 27, 2015**10:28 pm****13. Section C, Economic Feasibility, Item 1 (Project Costs Chart) and Item 3**

The chart is noted. Given that no construction or renovation appears to be necessary, please explain the \$3,500 in architectural/engineering fees and the \$75,000 amount budgeted as a contingency cost.

Response

A statement is provided from Siemen's following this page to validate that \$480,000, the value used for the equipment in the financial projections, is conservatively at the higher of the range for estimated equipment value.

It appears that the \$125,000 cost of the 5-year lease for the 1,200 square foot area or the fair market value (FMV) of the space, whichever is higher, is missing from line B.1 of the chart. Please identify the estimated FMV amount of the space.

Response

The Project Costs Chart that was submitted with the original application has an inadvertent omission on line A9. An updated project cost chart is provided following this page. The value of \$239,215 is the estimated Market Value of the facility based on information from the Shelby County Tax assessor's office. The 5 year maintenance amount of \$451,285 is shown on A9 and is supported by a maintenance agreement provided in response to a previous supplemental question. The 125,000 cost is appropriate for the projection but the assessed value of \$239,215 is higher and is used in the corrected Project Costs Chart.

As noted, please also provide documentation from a MRI vendor that confirms both the \$480,000 Fair Market Value (FMV) cost of the MRI unit and the \$239,215 five-year maintenance cost used in the chart.

Response

A statement is provided from Siemen's following this page to validate that \$480,000, the value used for the equipment in the financial projections, is conservatively at the higher of the range for estimated equipment value.

Please clarify the amounts requested for the office space and the MRI unit.

Response

The amounts are clarified by the corrected Project Costs Chart since assessed values are used for the building and property and the vendor estimate is used for the MRI unit.

Please also note that the total in line D (Estimated Project Cost) amounts to \$807,715 in lieu of the \$1,259,000 shown in the chart.

Response

The amounts are clarified by the corrected Project Costs Chart.

SUPPLEMENTAL #1**March 27, 2015****10:28 pm**

Please identify the amounts requested for the office space and the MRI unit, provide a revised total project cost and CON filing fee (if applicable), and submit a revised chart for the application labeled as replacement page 19-R. Please submit a check for the additional filing fee with your response.

Response

The amounts are clarified by the corrected Project Costs Chart. And the CON filing fee appears to be correct.

March 27, 2015**10:28 pm****SIEMENS****Healthcare**

March 26, 2015

Baptist Memorial Healthcare
350 North Humphreys Blvd
Memphis, TN 38120

To Whom It May Concern:

The estimated Fair Market Value of the Espree MRI Machine ("Equipment") at Baptist Memorial located in Germantown, TN, and which was purchased from Siemens Medical Solutions USA, Inc. in 2008, is between \$480,000 and \$500,000. The useful life, which is dependent on proper service and not guaranteed, is between 12-15 years from the original purchase date. The estimated cost of replacement, depending on configuration and type of magnet, can range from \$1,500,000 - \$2,000,000.

Baptist Memorial is hereby advised that moving, servicing and bringing the Equipment's magnets down and up to field must be performed by Siemens-trained and qualified service personnel.

If you have any questions, please do not hesitate to contact Siemens.

Thank You,



Arlene Gonzalez
Zone Controller
Siemens Medical Solutions USA, Inc.
Customer Solutions Group

March 27, 2015**10:28 pm****14. Section C, Economic Feasibility, Item 2 and Item 10**

Item 2 - Please provide documentation from the Chief Financial Officer (CFO) of Baptist Medical Group or the parent organization that identifies the estimated amount need to fund the project and attests to the availability of sufficient cash reserves to support the project.

Response:

The letter from the Chief Financial Officer for the parent organization was inadvertently omitted when the original application was submitted. It follows this page and was intended to be one of the attachments in the original.

Item 10 - Please also include financial statements from same that supports the amounts needed and demonstrate the applicant's ability to financially sustain the MRI service.

Response

Baptist Memorial Health Care Corporation has the capacity to support this project and will use funds from a related entity as it usually presents the source of funds to the HSDA. Funding for this project will come from Baptist Memorial Hospital-Memphis. The financial statement for Baptist Memorial Hospital Memphis is provided following the CFO letter.

March 27, 2015

10:28 pm

BAPTIST MEMORIAL HEALTH CARE CORPORATION

March 12, 2015

Ms. Melanie Hill, Executive Director
Health Services and Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, Tennessee 37243

RE: Baptist Medical Group
Initiation of MRI Services

Dear Ms. Hill:

As the Chief Financial Officer of Baptist Memorial Health Care Corporation (BMHCC), I have reviewed the financial statements and requirements in the Certificate of Need application for the initiation of MRI Services by Baptist Medical Group (BMG) that has a cost, for CON purposes, of approximately \$1,262,000. The equipment is currently owned and operated by Baptist Rehabilitation-Germantown (BRG). Since the equipment is actually moving within BMHCC and construction is not involved, the actual funding for the project is minimal. Funds to complete the project as described are available through BMHCC affiliated entities.

Please contact me if you need additional information.

Sincerely,



Donald R. Pounds
Chief Financial Officer

SUPPLEMENTAL #1**March 27, 2015****10:28 pm**

Baptist Memorial Hospital-Memphis
6019 Walnut Grove Road
As of February 2015

Cash and cash equivalents	42,705,802.61
Investments	11,540,036.98
Patient accounts receivable	176,705,218.95
Contractual allowances	(66,989,966.98)
Bad Debt allowances	(29,829,216.05)
Net Patient accounts receivable	79,886,035.92
Other Receivables	3,421,716.67
Due from Affiliates	15,073,252.50
Estimated settlements- 3rd parties	769,540.00
Inventory	16,944,410.49
Prepaid expenses	5,022,619.44
Other current assets	
Assets whose use is limited	
Assets held for sale	
Total current assets	175,363,414.61
Investments	139,285.69
Investment in affiliates	256,416.00
Total Investments	395,701.69
Long-term assets whose use is limited	
Notes Receivable from Affiliates	68,049,621.84
Property and equipment	519,517,654.48
Accumulated depreciation	(354,988,110.90)
Net Property and equipment	164,529,543.58
Other assets	1,780,392.86
Goodwill	
Total Other assets	1,780,392.86
TOTAL ASSETS	410,118,674.58
Current portion-long-term debt	17,525,000.00
Current portion-capital lease	170,948.67
Accounts payable	7,633,474.31
Accrued payroll expenses	12,466,486.56
Accrued expenses-other	7,605,885.63
Due to Affiliates	29,701,566.87
Other current liabilities	2,587,392.00
Estimated settlements- 3rd parties	3,517,930.00
Liabilities held for sale	
Total current liabilities	81,208,684.04
Long-term debt	79,118,267.64
Long-term capital lease	191,247.97
Notes payable to affiliates	
Reserve for self insurance	
Post retirement benefit	26,214,383.00
Other long-term liabilities	2,025,662.83
Total long-term liabilities	107,549,561.44
Unrestricted net assets	221,316,696.75
Temporarily restricted net assets	43,732.35
Permanently restricted net assets	
Net assets	221,360,429.10
TOTAL LIABILITIES & FUND BAL.	410,118,674.58

SUPPLEMENTAL #1**March 27, 2015****10:28 pm**

Baptist Memorial Hospital-Memphis
6019 Walnut Grove Road
Five Months As of February 2015

Inpatient Revenues	585,239,394.37
Outpatient Revenues	<u>301,966,554.83</u>
Gross Patient Revenues	887,205,949.20
Revenue Deductions	(658,957,954.37)
Provision for Bad Debt	<u>(24,543,865.06)</u>
Net Patient Revenues	203,704,129.77
Other Oper Revenues	<u>6,187,530.10</u>
Total Oper Revenues	209,891,659.87
Salaries & Wages	58,488,257.15
Contract Labor	2,491,706.74
Benefits	16,189,383.07
Medical Supplies	54,293,038.34
Nonmedical Supplies	2,985,383.16
Purchased Services	3,995,101.21
Insurance Expense	305,636.71
Repairs & Maintenance	3,887,356.96
Utilities	2,194,424.98
Other Expenses	9,643,892.26
Professional Fees	10,051,307.62
Management Fees	26,340,050.00
Grants Expense	
Gain (Loss) on Sale of Assets	
Depreciation and Amortization	9,763,028.93
Interest	225,643.28
Loss on Asset Impairment	
Bad Debt Expense-Non Patient	
Total Operating Expenses	<u>200,854,210.41</u>
Operating Income/(Loss)	9,037,449.46
Operating Margin %	4.31%
Nonoper Revenues/(Expenses)	<u>(1,659,104.36)</u>
Excess of Revenues over Expenses/ (Expenses over Revenues)	<u>7,378,345.10</u>
Profit Margin %	3.52%

March 27, 2015**10:28 pm****15. Section C, Economic Feasibility, Item 4**Historical Data Chart

The applicant states that BMG has no historical data available. At a minimum, it would be helpful to have a Historical Data Chart for the parent organization that corresponds to the most recent fiscal periods in the financial statements requested for the application.

Response

After thought and consideration of the most appropriate type of historical information for this project, the applicant has completed the historical chart for operation of the MRI at Baptist Rehabilitation Germantown. It is included on the following page. The chart is based on the Fiscal Year of Oct-Sept and values differ some from the Calendar Year required for the HSDA Registry.

Projected Data Chart

With respect to Gross Operating Revenue, the average gross charge in the chart amounts to approximately \$1,247 per procedure in Year 1. Per HSDA records, BRG reported 1,212 MRI procedures and \$3,254,466 in gross charges in CY2013 which results in an average gross charge of approximately \$2,685 per MRI procedure. Are the amounts projected for gross operating revenue understated in the chart? Please clarify.

Response

The amounts in the chart are based on the calculations using the charges reported in the application. The gross amount is affected by the financial contracting arrangements and differences in the requirements for providing services in different types of settings. BRG is a licensed Acute Care Hospital operating as a Medicare Part A certified and state licensed facility. BMG is a physicians group certified by Medicare as a Part B group.

March 27, 2015**10:28 pm**

With respect to Operating Expenses, please explain how the amounts were determined for the following expenses:

Line 1- staff salaries (*please include # FTE*)

Response

1.5 FTE MRI Tech* 25% Benefit Rate

<u>Position</u>	<u>FTE</u>	<u>Salary</u>
MRI Technologist	1	\$52,000
MRI Technologist	0.5	\$26,000

Line 2 - Physician salaries

Response

Represents the fee as a medical Director provided at BMHCC

Line 5 - Depreciation

Response

\$480,000 depreciated over 5 years

Line 9- Other Expenses, Imaging Interpretation Fees

Response

Includes Interpretation fees, equipment maintenance, BMG General administrative overhead

Line 9 - Other Expenses, maintenance

Response

Please note that the Maintenance expense is supported by documentation provided in response to a previous question.

March 27, 2015**10:28 pm****HISTORICAL DATA CHART**

Give information for the last three (3) years for which complete data are available for the facility or agency. The fiscal year begins in OCT (Month)

	Year 2012	Year 2013	Year 2014
A. Utilization Date (MRI Procedures)	<u>3,107</u>	<u>1,836</u>	<u>1,667</u>
B. Revenue from Services to Patients			
1. Inpatient Services	<u>\$ 61,627</u>	<u>\$ 38,924</u>	<u>\$ 41,016</u>
2. Outpatient Services	<u>\$ 3,554,628</u>	<u>\$ 3,458,289</u>	<u>\$ 2,960,141</u>
3. Emergency Services	<u></u>	<u></u>	<u></u>
4. Other Operating Revenue (specify) <u>cafeteria, gift shop, etc.</u>	<u></u>	<u></u>	<u></u>
Gross Operating Revenue	<u>\$ 3,616,255</u>	<u>\$ 3,497,213</u>	<u>\$ 3,001,157</u>
C. Deductions from Gross Operating Revenue			
1. Contractual Adjustments	<u>\$ 2,431,246</u>	<u>\$ 2,657,382</u>	<u>\$ 2,346,028</u>
2. Provision for Charity Care	<u>\$ 792</u>	<u>\$ 514</u>	<u>\$ 1,198</u>
3. Provision for Bad Debt	<u>\$ 51,982</u>	<u>\$ 33,755</u>	<u>\$ 78,667</u>
Total Deductions	<u>\$ 2,484,020</u>	<u>\$ 2,691,651</u>	<u>\$ 2,425,893</u>
NET OPERATING REVENUE	<u>\$ 1,132,235</u>	<u>\$ 805,562</u>	<u>\$ 575,264</u>
D. Operating Expenses			
1. Salaries and Wages	<u>\$ 234,198</u>	<u>\$ 200,751</u>	<u>\$ 170,719</u>
2. Physician's Salaries and Wages	<u></u>	<u></u>	<u></u>
3. Supplies	<u>\$ 14,159</u>	<u>\$ 12,879</u>	<u>\$ 10,863</u>
4. Taxes	<u></u>	<u></u>	<u></u>
5. Depreciation	<u>\$ 354,786</u>	<u>\$ 319,624</u>	<u>\$ 269,509</u>
6. Rent	<u></u>	<u></u>	<u></u>
7. Interest, other than Capital	<u></u>	<u></u>	<u></u>
8. Management Fees:			
a. Fees to Affiliates	<u>\$ 303,037</u>	<u>\$ 347,993</u>	<u>\$ 293,551</u>
b. Fees to Non-Affiliates	<u></u>	<u></u>	<u></u>
9. Other Expenses (Specify on separate page)	<u>\$ 107,696</u>	<u>\$ 97,859</u>	<u>\$ 82,517</u>
Total Operating Expenses	<u>\$ 1,013,876</u>	<u>\$ 979,106</u>	<u>\$ 827,159</u>
E. Other Revenue (Expenses) - Net (Specify)			
NET OPERATING INCOME (LOSS)	<u>\$ 118,359</u>	<u>\$ (173,544)</u>	<u>\$ (251,895)</u>
F. Capital Expenditures			
1. Retirement of Principal	<u></u>	<u></u>	<u></u>
2. Interest	<u></u>	<u></u>	<u></u>
Total Capital Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
NET OPERATING INCOME (LOSS)			
LESS CAPITAL EXPENDITURES	<u>\$ 118,359</u>	<u>\$ (173,544)</u>	<u>\$ (251,895)</u>

March 27, 2015**10:28 pm****16. Section C, Economic Feasibility, Item 5 and Item 6**

Item 5 - as noted, the applicant states that the average gross charge will be \$1,247 per MRI procedure in Year 1. This amount varies from the average gross charge of \$2,685 per procedure for the existing unit in CY2013 as reflected in HSDA Equipment Registry records. Please clarify.

Response

The difference in charges is due to market differences and the expenses for the requirements to operate a full-service hospital vs. a physician group practice.

Item 6.a. - given the amounts budgeted for imaging interpretation fees in the Projected Data Chart, e.g. \$172,800 in Year 1, it appears that the applicant may be planning to use a global rate for MRI procedures. Please describe the plans for billing professional fees.

Response

The applicant will bill globally for services and reimburse physicians.

Item 6.b. - the table is noted. Please identify the current Medicare allowable amount for the major CPT classifications shown in the table.

Response

The Medicare allowable is in the following Table.

<u>CPT</u>	<u>Description</u>	<u>TN Medicare Reimbursement (global nonfacility)</u>	<u>BMG Charge</u>
72148	MRI Lumbar spine w/o dye	\$ 204.04	\$ 1,325
73721	MRI joint of lower extrem w/o dye	\$ 215.44	\$ 1,055
72141	MRI neck spine w/o dye	\$ 205.00	\$ 1,325
73221	MRI joint upr extrem w/o dye	\$ 215.76	\$ 1,075
70557	MRI brain w/o dye	\$ 455.46	\$ 1,400

March 27, 2015**10:28 pm****17. Section C, Economic Feasibility, Item 9**

As noted, both the CFO letter and copies of financial statements for either the applicant or the parent organization are missing from the application. Please provide this information.

Response

Please refer to the letter from Donald Pounds, the BMHCC CFO and the financial statement from Baptist Memorial Hospital-Memphis where funds will be transferred for the project. The items are provided in a previous response.

March 27, 2015**10:28 pm****18. Section C, Orderly Development, Item 3**

The response is noted. Please complete the table illustrating the staffing planned by the applicant to continue staffing for the MRI service.

Position Title	Existing FTEs (enter year)	Projected FTEs Year 1	Average Wage	Area-wide Average Wage
MRI Technologist	1.5	1.5	\$52,000	\$50,850 - \$60,388
Total	1.5	1.5	\$52,000	\$50,850 - \$60,388

Response:

The table is complete indication staff of 1.5 FTE for an MRI Technologist.

March 27, 2015**10:28 pm****19. HSDA Equipment Registry**

The 2014 annual report of utilization and update for equipment registered by the applicant's parent company, Baptist Memorial Health Care Corporation, including the existing 1.5 Tesla MRI unit that is the subject of this proposal, is due by the end of March 2015. Please confirm plans to submit the information on or before March 31, 2015.

Response

Representatives of Baptist Memorial Health Care have discussed with Ms. Craighead that the process to acquire and submit the required information is underway. The implementation of a new information system has added the requirement to pull the data from more than a single source. Baptist plans to submit the information according to the HSDA timeline which is on or before March 31, 2015.

March 27, 2015

10:28 pm

20. Proof of Publication

The date and name of newspaper was missing from the application. Please submit a copy of the full page of the newspaper in which the notice of intent appeared with the mast and dateline intact or submit a publication affidavit which is supplied by the newspaper as proof of the publication of the letter of intent.

Response

The affidavit from the newspaper recently arrived and is provided following this page.

March 27, 2015

10:28 pm

**The Commercial Appeal
Affidavit of Publication**

**STATE OF TENNESSEE
COUNTY OF SHELBY**

Personally appeared before me, Patrick Maddox, a Notary Public, Helen Curl, of MEMPHIS PUBLISHING COMPANY, a corporation, publishers of The Commercial Appeal, morning and Sunday paper, published in Memphis, Tennessee, who makes oath in due form of law, that she is Legal Clerk of the said Memphis Publishing Company, and that the accompanying and hereto attached advertisement was published in the following editions of The Commercial Appeal to-wit:

March 10, 2015

Helen Curl

Subscribed and sworn to before me this 13th day of March, 2015.

Patrick Maddox Notary Public

My commission expires February 15, 2016.



My Commission Expires 02/15/2016

March 27, 2015

10:28 pm

AFFIDAVIT

STATE OF TENNESSEE

COUNTY OF SHELBYNAME OF FACILITY: BAPTIST MEMORIAL MEDICAL GROUP, INC

I, ARTHUR MAPLES, after first being duly sworn, state under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete.

Arthur Maples Dir Strategic Analysis
Signature/Title

Sworn to and subscribed before me, a Notary Public, this the 25th day of March, 20 15,
witness my hand at office in the County of Shelby, State of Tennessee.

Paulette E. Kearney
NOTARY PUBLIC

My Comm. Exp. August 21, 2016

My commission expires _____.

HF-0043

Revised 7/02



SUPPLEMENTAL #2

1. Section A, Item 8

The response confirming that Baptist Rehabilitation-Germantown plans to voluntarily surrender the hospital MRI service approved in CN9812-084A is noted and understood. Thank you for this confirmation.

Response

No additional response is requested.

02/20/15 PM 4:03

2017-05-03 03:03:03

2. Section A, Project Description, Item 13

The response is noted. The applicant states that BMG will be billing globally, inclusive of the professional charges of MIST radiologists that the applicant will contract with for the provision of imaging interpretation services. Please address the major responsibilities of the parties that would be included in a working agreement or similar contractual arrangement. Please also identify the key benefits to patients and the parties of this type of arrangement.

Response

Patients of BMG will be billed globally which involves including both the technical and professional components in one bill. The patients will not receive a bill for the test from a facility (Technical Component) and a separate bill for the doctor's interpretation (Professional Component) for the MRI examination.

The MSIT Radiologists are established at BRG and are familiar with the equipment and BMHCC procedures. They are licensed, competent and qualified to provide services. MSIT will provide professional and related services for Medical Supervision including, full-time professional coverage, scheduling of such coverage, and direction and supervision of the service. When appropriate, MSIT may utilize teleradiology, PACS network, or another appropriate network/system. In connection with such coverage MSIT's on-site Radiologist(s) shall be available to render consultations and professional services as requested regarding diagnosis of patients.

BMG Patients will benefit by receiving service from an established trusted group of MSIT Radiologists and the billing will be consolidated into one statement.

007405150000

3. Section B, Project Description, Item II.E (MRI Equipment)

Item 1.a.2 (expected useful life) - the response notes that the unit originally acquired under Baptist Rehabilitation-Germantown, CN9812-084A, was replaced in 2009 and reported to the HSDA Equipment Registry. The vendor's 3/16/15 letter appears to confirm its current fair market value as noted in the Project Costs Chart. Thank you for clarifying this information.

Response

No additional response is requested.

4. Section C, Need, Item 1 (MRI Specific Criteria) and Section C, Need, Item 6 (Applicant's Projected Utilization)

Given that the projected utilization represents an increase of approximately 1,200 MRI procedures from BRC's 1,212 procedures in CY2013, the key parameters of the methodology used to project utilization in Year 1 and Year 2 remains unclear. For instance, was a use rate considered? Was population growth of the service area or new sources of referrals from health insurance networks also taken into consideration? Please explain.

In your response, please also describe what considerations were given to limiting the impact to other providers, most importantly those closest to BMG such as St. Francis, St. Francis Bartlett, the Campbell Clinic and Diagnostic Imaging-Memphis.

Response

A major factor in making the projection was in the distance from the BMG physician office to the proposed BMG MRI. For example, the factor used for a practice in Arlington TN (Shelby County) that is approx. 18 miles and a 25 minute drive time to the proposed BMG MRI on Exeter Road in Germantown was 50%. That is, 50% of the annualized MRI referrals from the Arlington practice(s) were included in the projection. Another location that is approx. 13 miles and a 25 minute drive from Midtown Memphis to the proposed BMG MRI was also included at the 50% referral rate. Other practice areas that are closer to the proposed unit were included at the 80% referral rate which was the highest factor used.

Since the BMG physician locations are dispersed throughout the community, a single provider is not substantially impacted by the project. The sources of coverage for BMG will not change as a result of this project.

The project will be beneficial to the system by providing a vehicle for balancing the workload within the BMHCC system. MRI scans that were scheduled for BMH-Memphis, which is operating with more scans per unit, can be scheduled for the BMG MRI as time availability is accessible. Scans can be arranged in appropriate relation to a scheduled physician visit. A patient may be scheduled before or after a physician appointment.

In discussing the proposed project, physicians expressed the added advantages to keeping the MRI studies within the group so that integrated medical information could be accessed and exchanged for referrals to other types of specialties are needed. The benefits include a more convenient, less expensive continuum of care for the patient as they receive treatment in their permanent medical home.

5. Section C, Need, Item 1 (MRI Project Criteria)

Item4 - the table with 3-year utilization is noted.

Please also include a metric for the utilization of the entire service area as a percentage of the 2,880 utilization standard. What providers might be excluded from the analysis based on the nature and scope of their specialized patient populations?

Response:

The completed Chart is shown on the following page. Based on all current units that operated at any time during 2013 the utilization average rate of 2,668 was at approx. 93% of the minimum utilization level of an average of 2,880 per year.

Excluding units at BMH for Women which only operated 2 months during the year, St Jude that is specialized for children's oncology, and Methodist Fayette that was a mobile unit, the utilization average rate of 2,814 was at approx. 98% of the minimum utilization level of an average of 2,880 per year. If BMH-Tipton, which is not competing for the same type patient as the other BMG locations, is also excluded then the average utilization rate of 2,862 is more than 99% of the minimum utilization level of an average of 2,880 per year.

6. Section C, Need, Item 3 and 4.A

The table in the response is noted. It appears that the column on the far right (2013 resident scans as a % of BRG scans) may amount to approximately 79% for scans at BRG by residents of Shelby County in lieu of the 1.25% shown in the table based on the information provided for the table in Question 11 of Supplemental 1.

Patient Origin Trend by Residents of Applicant's PSA, 2011-2013

County of Residence	Residents MRI Scans 2011	Resident MRI Scans 2012	PSA MRI Scans - 2013	% Change '11-'13	2013 Total Provider MRI Scans	2013 Resident Scans as a % of total provider Scans	2013 Resident Scans as a % of BRG Scans
Shelby							
Fayette							
Other TN Counties							
TN Total							

Response

The chart is completed on the following page.

Provider Name		Current # units (type)	County	Distance from existing BRG unit (miles)	2011	2012	2013		2013 procedures by PSA Residents	2013 procedures by PSA Residents wo Tipton
BMH Collierville	1	1 Fixed	Shelby	7.4 miles	1,891	1,734	1,593	-16%	1127	1122
BMH Memphis	3	3 Fixed	Shelby	5.6 miles	12,052	11,913	11,280	-6%	8390	7875
BMH for Women	1	1 Fixed	Shelby	4.8 miles			72		57	53
Baptist Rehab - Germantown	1	1 Fixed	Shelby	0 miles	1,622	1,596	1,212	-25%	958	924
Baptist Rehab - Briarcrest	0.5	1 Fixed (Shared)	Shelby	3.6 miles	585	650	613	5%	534	508
Delta Medical Center	1	1 Fixed	Shelby	11 miles	1,006	787	674	-33%	N/A	N/A
LeBonheur	3	3 Fixed	Shelby	17.2 miles	4,663	5,357	5,333	14%	2287	2134
Methodist Germantown	2	2 Fixed	Shelby	0.5 miles	7,698	6,557	6,892	-10%	5844	5736
Methodist South	1	1 Fixed	Shelby	17.1 miles	4,073	4,139	4,090	0%	3597	3591
Methodist North	2	2 Fixed	Shelby	15.2 miles	6,058	6,092	6,003	-1%	5609	4559
Methodist University	3	3 Fixed	Shelby	19.2 miles	9,677	9,803	10,524	9%	7870	7668
Regional Med	1	1 Fixed	Shelby	19.9 miles	3,927	4,491	4,131	5%	1673	1641
St. Francis	3	3 Fixed	Shelby	4.2 miles	5,482	5,393	5,326	-3%	4404	4282
St. Francis Bartlett	2	2 Fixed	Shelby	8.7 miles	3,257	3,642	3,518	8%	3288	2913
St. Jude	4	4 Fixed	Shelby	21.6 miles	10,031	8,737	8,305	-17%	N/A	N/A
BMH Tipton	1	1 Fixed	Tipton	36.6 miles	1,143	1,265	1,153	1%	952	0
Campbell Clinic	1	1 Fixed	Shelby	1.5 miles	6,502	6,321	5,547	-15%	4225	3941
Diagnostic Imaging-Memphis	1	1 Fixed	Shelby	3.0 miles	6,358	6,538	6,737	6%	6206	5978
MSK Group - Covington Pike	1	1 Fixed	Shelby	14.1 miles	3,096	3,140	3,013	-3%	2629	2241
MSK Group - Briarcrest	0.5	1 Fixed (Shared)	Shelby	3.6 miles	4,508	4,489	4,637	3%	3983	3810
Neurology Clinic	0.5	1 Fixed (Shared)	Shelby	2.8 miles	3,168	3,160	3,312	5%	3312	3214
Outpatient Diagnostic Center	1	1 Fixed	Shelby	12.2 miles	2,207	2,214	2,563	16%	2244	1825
Park Ave Diagnostic Center	2	2 Fixed	Shelby	5.6 miles	3,080	2,681	2,075	-33%	1731	1680
Semmes-Murphey	2	2 Fixed	Shelby	4.8 miles	7,300	6,490	6,277	-14%	3940	3940
Wesley Neurology	0.5	1 Fixed (Shared)	Shelby	2.8 miles	1,398	1,309	1,026	-27%	851	783
West Clinic	1	1 Fixed	Shelby	5.4 miles	1,662	1,564	1,287	-23%	540	498
Campbell Clinic - Union	1	1 Fixed	Shelby	19.1 miles	2,290	2,155	2,539	11%	1669	1604
Methodist Healthcare-Fayette Hospital	0.2	1 Mobile (Part)	Fayette	32.3 miles	324	271	204	-37%	157	154
TOTAL	41.2				115,058	112,488	109,936	-4%	78077	72674
109,936 Scans over 41.2 machines					2668.35		108,936			

Without BMH Womens, St Jude, and Methodist Fayette

36 101,355 Scans over 36 machines 2815.42 101,355

Without BMH Womens, St Jude, BMH Tipton and Methodist Fayette

35 100,202 Scans over 35 machines 2862.91 100,202

** Driving Distances are from Google Maps

9/28/2015 9:47:06

County of Residence	Residents MRI Scans 2011	Resident MRI Scans 2012	PSA MRI Scans - 2013 (With Tipton)	PSA MRI Scans - 2013 (Without Tipton)	% Change '11-'13	2013 Total Provider MRI Scans	2013 Resident Scans as a % of Total Scans of Providers located in County	2013 Resident Scans as a % of BRG Scans
Shelby	73,943	71,878	76,968	72,520	-5.81%	69,647	99.19%	87.06%
Fayette	2,818	2,983	157	154	19.69%	3,373	4.24%	5.62%
Tipton	5,753	5,641	952	-	1.10%	5,816	15.56%	3.41%
Other TN Counties	N/A	N/A	4,104	9,507		482,581		3.91%
TN Total	N/A	N/A	82,181	82,181		561,417		100%

7. Section C, Economic Feasibility, Item 4

The Historical Data Chart for the MRI service at BRG is noted. The amounts provided for MRI procedures in 2012 and 2013 do not match the 1,596 and 1,212 MRI procedures, respectively, reflected in HSDA Equipment Registry records. Additionally, the gross operating revenue from charges appears to be different from what has been reported such as \$3,254,466 in gross charges in CY2013. Please explain. If in error, please revise the chart and submit a replacement with your response.

Response

Both of the sources of information are correct. The Historical chart was completed for the Fiscal Year which is from Oct. 1 to Sept. 30. The HSDA requests equipment numbers on a Calendar Year basis.

The differences between fiscal and calendar years are within small ranges. In 2012, the HSDA report amount was 4% higher than the JAR amount. In 2013, the JAR amount was 7% higher than the HSDA report.

8. Section C, Economic Feasibility, Item 11

Of the Baptist facilities, it appears that BMH Memphis operated at 135% of the 2,880 standard in 2013 while BRG and BMH Collierville operated at approximately 42% of the standard. As such, as an alternative, was transfer or relocation of BRG's existing 1.5 Tesla fixed unit to BMH-Memphis taken into consideration as an alternative to this project? Please briefly discuss.

Response

Several optional configurations were considered. The MRI at the Germantown location is more easily accessible to patients. The roadway on Exeter is less congested and the location of the service is known in the community. The location is within reasonable travel distances to the BMG clinic locations.

Within the capabilities of the electronic scheduling system , patients who may have been scheduled for an MRI scan at BMH-Memphis can be scheduled for the BRG location. The effect will be to potentially improve the efficiency of the Health Care System by improving the flow of patients where capacity exists within the system and the benefits of a centralized medical record are supported.

Figure 1

Figure 1

Figure 1

Figure 1

AFFIDAVIT

STATE OF TENNESSEE

COUNTY OF SHELBY

NAME OF FACILITY: BAPTIST MEMORIAL MEDICAL GROUP, INC

I, ARTHUR MAPLES, after first being duly sworn, state under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete.

Arthur Maples Dir Strategic Analysis
Signature/Title

Sworn to and subscribed before me, a Notary Public, this the 30th day of March, 2015,
witness my hand at office in the County of Shelby, State of Tennessee.

Paulette E. Kearney
NOTARY PUBLIC

My commission expires My Comm. Exp. August 21, 2016

HF-0043

Revised 7/02





State of Tennessee

Health Services and Development Agency

Andrew Jackson, 9th Floor, 502 Deaderick Street, Nashville, TN 37243

www.tn.gov/hsda

Phone: 615-741-2364

Fax: 615-741-9884

April 1, 2015

Arthur Maples
Baptist Memorial Healthcare Corporation
350 N Humphreys Blvd
Memphis, TN 38120

RE: Certificate of Need Application -- Baptist Memorial Group, Inc. d/b/a Baptist Medical Group - CN1503-010

To initiate magnetic resonance imaging (MRI) services in leased space on the campus of Baptist Rehabilitation-Germantown, 2100 Exeter Road, Germantown (Shelby County), Tennessee, as part of the medical group's practice. An existing 1.5 Tesla fixed MRI unit owned and operated by Baptist Rehabilitation-Germantown will be transferred to Baptist Medical Group as part of the project. Other than the change in operation, no change in site, equipment or imaging services will change as a result of the project. The primary service area includes Shelby, Tipton and Fayette Counties. The estimated project cost is \$1,262,000.00

Dear Mr Maples:

This is to acknowledge the receipt of supplemental information to your application for a Certificate of Need.

Please be advised that your application is now considered to be complete by this office. Your application is being forwarded to the Tennessee Department of Health and/or its representative for review.

In accordance with Tennessee Code Annotated, §68-11-1601, et seq., as amended by Public Chapter 780, the 60-day review cycle for this project will begin on April 1, 2015. The first sixty (60) days of the cycle are assigned to the Department of Health, during which time a public hearing may be held on your application. You will be contacted by a representative from this Agency to establish the date, time and place of the hearing should one be requested. At the end of the sixty (60) day period, a written report from the Department of Health or its representative will be forwarded to this office for Agency review within the thirty (30)-day period immediately following. You will receive a copy of their findings. The Health Services and Development Agency will review your application on June 24, 2015.

Arthur Maples
350 N Humphreys Blvd
April 1, 2015
Page 2

Any communication regarding projects under consideration by the Health Services and Development Agency shall be in accordance with T.C.A. § 68-11-1607(d):

- (1) No communications are permitted with the members of the agency once the Letter of Intent initiating the application process is filed with the agency. Communications between agency members and agency staff shall not be prohibited. Any communication received by an agency member from a person unrelated to the applicant or party opposing the application shall be reported to the Executive Director and a written summary of such communication shall be made part of the certificate of need file.
- (2) All communications between the contact person or legal counsel for the applicant and the Executive Director or agency staff after an application is deemed complete and placed in the review cycle are prohibited unless submitted in writing or confirmed in writing and made part of the certificate of need application file. Communications for the purposes of clarification of facts and issues that may arise after an application has been deemed complete and initiated by the Executive Director or agency staff are not prohibited.

Should you have questions or require additional information, please contact me.

Sincerely,



Melanie M. Hill
Executive Director

cc: Trent Sansing, CON Director, Division of Health Statistics



State of Tennessee

Health Services and Development Agency

Andrew Jackson, 9th Floor, 502 Deaderick Street, Nashville, TN 37243

www.tn.gov/hsda

Phone: 615-741-2364

Fax: 615-741-9884

MEMORANDUM

TO: Trent Sansing, CON Director
Office of Policy, Planning and Assessment
Division of Health Statistics
Andrew Johnson Tower, 2nd Floor
710 James Robertson Parkway
Nashville, Tennessee 37243

FROM: Melanie M. Hill
Executive Director

DATE: April 1, 2015

RE: Certificate of Need Application
Baptist Memorial Group, Inc. d/b/a Baptist Medical Group -
CN1503-010

Please find enclosed an application for a Certificate of Need for the above-referenced project.

This application has undergone initial review by this office and has been deemed complete. It is being forwarded to your agency for a sixty (60) day review period to begin on April 1, 2015 and end on May 1, 2015.

Should there be any questions regarding this application or the review cycle, please contact this office.

Enclosure

cc: Arthur Maples

HEALTH SERVICES AND DEVELOPMENT AGENCY

JUNE 24, 2015

APPLICATION SUMMARY

NAME OF PROJECT: Baptist Memorial Medical Group, Inc. d/b/a Baptist Medical Group

PROJECT NUMBER: CN1503-010

ADDRESS: 2100 Exeter Road
Germantown (Shelby County), TN 38138

LEGAL OWNER: Baptist Memorial Medical Group, Inc.
350 N. Humphreys Blvd.
Memphis (Shelby County), TN 38120

OPERATING ENTITY: NA

CONTACT PERSON: Arthur Maples

DATE FILED: March 13, 2015

PROJECT COST: \$1,262,000.00

FINANCING: Cash Reserves

PURPOSE FOR FILING: Initiation of MRI services

DESCRIPTION:

Baptist Memorial Medical Group, Inc. d/b/a Baptist Medical Group (BMG), a multi-specialty physician group formed as a Tennessee non-profit corporation in September 1993 and a wholly owned subsidiary of Baptist Memorial Health Care Corporation, is seeking approval to initiate magnetic resonance imaging (MRI) services. This is, in effect, a change in ownership and operational management of the existing MRI service approved in Memphis Rehab Associates, L.P. d/b/a Baptist Rehabilitation-Germantown, CN9812-084A (hospital). Other than the transfer of operation of the MRI service from the hospital to the applicant medical group, the project will not change the location of the existing MRI unit (*entrance on 1st floor of the hospital campus*) or add any new medical equipment or services requiring CON approval. Additionally, the project will not change the ownership of the land, building or the MRI unit since both the applicant and the hospital are wholly owned subsidiaries of Baptist Memorial Health Care Corporation. As

Baptist Memorial Medical Group

CN1503-010

JUNE 24, 2015

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confirmed by the applicant in Items 3 and 6 of the March 27, 2015 supplemental response, Baptist Rehabilitation-Germantown will voluntarily surrender CN9812-084A once the project is approved and the MRI service is initiated by Baptist Medical Group.

CRITERIA AND STANDARDS REVIEW

MAGNETIC RESONANCE IMAGING SERVICES

1. Utilization Standards for non-Specialty MRI Units.

- a. An applicant proposing a new non-Specialty stationary MRI service should project a minimum of at least 2160 MRI procedures in the first year of service, building to a minimum of 2520 procedures per year by the second year of service, and building to a minimum of 2880 procedures per year by the third year of service and for every year thereafter.

As noted, the hospital received CON approval in CN9812-084A to initiate an MRI service on its campus. The equipment is an existing Siemens 1.5 Tesla Magnetom Espree unit acquired in July 2009 (Item 7 of the 3/27/15 supplemental response)

The historical utilization of the hospital MRI service was 1,622 procedures in CY2011, 1,596 in CY2012 and 1,212 in CY2013, a decrease of approximately 25%. The applicant states the hospital unit performed 1,107 procedures in CY2014. If approved, the proposed Baptist Medical Group MRI services projects 2,560 procedures in Year 1 increasing by 3% to 2,637 procedures in Year 2. The projected utilization of BMG's new MRI service will exceed the standard for a new service in both the first and second year of the service.

It appears that the applicant will meet this criterion.

- b. Providers proposing a new non-Specialty mobile MRI service should project a minimum of at least 360 mobile MRI procedures in the first year of service per day of operation per week, building to an annual minimum of 420 procedures per day of operation per week by the second year of service, and building to a minimum of 480 procedures per day of operation per week by the third year of service and for every year thereafter.

- c. An exception to the standard number of procedures may occur as new or improved technology and equipment or new

Baptist Memorial Medical Group

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diagnostic applications for MRI units are developed. An applicant must demonstrate that the proposed unit offers a unique and necessary technology for the provision of health care services in the Service Area.

d. Mobile MRI units shall not be subject to the need standard in paragraph 1 b if fewer than 150 days of service per year are provided at a given location. However, the applicant must demonstrate that existing services in the applicant's Service Area are not adequate and/or that there are special circumstances that require these additional services.

e. Hybrid MRI Units. The HSDA may evaluate a CON application for an MRI "hybrid" Unit (an MRI Unit that is combined/utilized with medical equipment such as a megavoltage radiation therapy unit or a positron emission tomography unit) based on the primary purposes of the Unit.

The criteria identified in items 1.b – 1.e above are not applicable to the applicant's proposed MRI service.

2. Access to MRI Units. All applicants for any proposed new MRI Unit should document that the proposed location is accessible to approximately 75% of the Service Area's population. Applications that include non-Tennessee counties in their proposed Service Areas should provide evidence of the number of existing MRI units that service the non-Tennessee counties and the impact on MRI unit utilization in the non-Tennessee counties, including the specific location of those units located in the non-Tennessee counties, their utilization rates, and their capacity (if that data are available).

As a multi-specialty medical group with over 500 physicians and offices in West Tennessee, East Arkansas and North Mississippi, the Tennessee portion of the applicant's primary service area consists of Shelby, Fayette, and Tipton Counties. The applicant believes the PSA is reasonable based on utilization of the current hospital service by residents of the PSA and overlap with the geographic service area of the medical group. Residents of the 3 counties accounted for approximately 96% of total MRI volumes at the hospital in CY2013.

It appears that this criterion has been met.

3. Economic Efficiencies. All applicants for any proposed new MRI Unit should document that alternate shared services and lower cost technology applications have been investigated and found less advantageous in terms of accessibility, availability, continuity, cost, and quality of care.

The project does not seek approval to add a new MRI unit to the service area. The proposed change focuses on transfer of operational management of the MRI service approved in CN9812-084A from Baptist Rehabilitation-Germantown (BRG) to the applicant medical group with no change in location of the service, new equipment or other new services. The applicant considered other scenarios such as transfer to the hospital campus of Baptist Memorial Hospital-Memphis (located approximately 6 miles from BRG) to complement the 3 existing fixed MRI units at that location. However, this proposal was preferred as a means to improve operational efficiencies of an existing clinical resource without impacting access by residents of the service area.

It appears that the applicant meets this criterion.

4. Need Standard for non-Specialty MRI Units.

A need likely exists for one additional non-Specialty MRI unit in a Service Area when the combined average utilization of existing MRI service providers is at or above 80% of the total capacity of 3600 procedures, or 2880 procedures, during the most recent twelve month period reflected in the provider medical equipment report maintained by the HSDA. The total capacity per MRI unit is based upon the following formula:

Stationary MRI Units: $1.20 \text{ procedures per hour} \times \text{twelve hours per day} \times 5 \text{ days per week} \times 50 \text{ weeks per year} = 3,600 \text{ procedures per year}$

Mobile MRI Units: $\text{Twelve (12) procedures per day} \times \text{days per week in operation} \times 50 \text{ weeks per year}$. For each day of operation per week, the optimal efficiency is 480 procedures per year, or 80 percent of the total capacity of 600 procedures per year.

The subject of the application is an existing MRI unit approved in Baptist Rehabilitation-Germantown, CN9812-084A and will not increase the inventory of MRI units in the primary service area. However, as documented by the applicant in the supplemental responses and reflected in the TDH summary report, the combined average utilization for all providers in the service area during the most recent year HSDA Equipment Registry data is available (CY2013) was approximately 2,668 MRI procedures or 93% of the 2,880 procedures/unit standard. The combined utilization amounts to approximately 2,862 procedures per unit or 99.4% of the standard when excluding the 1 day per week mobile unit at Methodist Healthcare-Fayette Hospital, the new unit at Baptist Memorial Hospital for Women and units primarily used for pediatric patient imaging at St Jude Children's Hospital and Baptist Memorial Hospital-Tipton.

It appears the applicant substantially meets this criterion.

5. Need Standards for Specialty MRI Units.

- a. Dedicated fixed or mobile Breast MRI Unit. An applicant proposing to acquire a dedicated fixed or mobile breast MRI unit shall not receive a CON to use the MRI unit for non-dedicated purposes and shall demonstrate that annual utilization of the proposed MRI unit in the third year of operation is projected to be at least 1,600 MRI procedures (.80 times the total capacity of 1 procedure per hour times 40 hours per week times 50 weeks per year), and that:
 1. It has an existing and ongoing working relationship with a breast-imaging radiologist or radiology proactive group that has experience interpreting breast images provided by mammography, ultrasound, and MM unit equipment, and that is trained to interpret images produced by an MRI unit configured exclusively for mammographic studies;
 2. Its existing mammography equipment, breast ultrasound equipment, and the proposed dedicated breast MRI unit are in compliance with the federal Mammography Quality Standards Act;
 3. It is part of or has a formal affiliation with an existing healthcare system that provides comprehensive cancer care, including radiation oncology, medical oncology, surgical oncology and

Baptist Memorial Medical Group

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JUNE 24, 2015

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an established breast cancer treatment program that is based in the proposed service area.

4. It has an existing relationship with an established collaborative team for the treatment of breast cancer that includes radiologists, pathologists, radiation oncologists, hematologist/oncologists, surgeons, obstetricians/gynecologists, and primary care providers.

This criterion does not apply to the project.

- b. Dedicated fixed or mobile Extremity MR1 Unit. An applicant proposing to institute a Dedicated fixed or mobile Extremity MR1 Unit shall provide documentation of the total capacity of the proposed MR1 Unit based on the number of days of operation each week, the number of days to be operated each year, the number of hours to be operated each day, and the average number of MR1 procedures the unit is capable of performing each hour. The applicant shall then demonstrate that annual utilization of the proposed MRI Unit in the third year of operation is reasonably projected to be at least 80 per cent of the total capacity. Non-specialty MRI procedures shall not be performed on a Dedicated fixed or mobile Extremity MRI Unit and a CON granted for this use should so state on its face.

This criterion does not apply to the project.

- c. Dedicated fixed or mobile Multi-position MRI Unit. An applicant proposing to institute a Dedicated fixed or mobile Multi-position MRI Unit shall provide documentation of the total capacity of the proposed MRI Unit based on the number of days of operation each week, the number of days to be operated each year, the number of hours to be operated each day, and the average number of MRI procedures the unit is capable of performing each hour. The applicant shall then demonstrate that annual utilization of the proposed MRI Unit in the third year of operation is reasonably projected to be at least 80 per cent of the total capacity. Non-specialty MRI procedures shall not be performed on a Dedicated fixed or mobile Multi-position MRI Unit and a CON granted for this use should so state on its face.

This criterion does not apply to this application.

6. Separate Inventories for Specialty MRI Units and non-Specialty MRI Units.

This criterion does not apply to this application.

7. Patient Safety and Quality of Care. The applicant shall provide evidence that any proposed MRI Unit is safe and effective for its proposed use.

- a. The United States Food and Drug Administration (FDA) must certify the proposed MRI Unit for clinical use.

Documentation from the Food and Drug Administration, Department of Health and Human Services, was provided in the March 27, 2015 supplemental response confirming that the unit was registered and approved for use on or about July 21, 2004 in accordance with FDA certification requirements.

It appears that this criterion has been met.

- b. The applicant should demonstrate that the proposed MRI Procedures will be offered in a physical environment that conforms to applicable federal standards, manufacturer's specifications, and licensing agencies' requirements.

The project does not involve construction or related changes to the physical location of the existing MRI service on the hospital campus of Baptist Rehabilitation-Germantown. The applicant confirmed that the MRI unit acquired as a result of CN9812-084A is being operated in a physical environment that conforms to federal manufacturer standards.

It appears that this criterion has been met.

- c. The applicant should demonstrate how emergencies within the MRI Unit facility will be managed in conformity with accepted medical practice.

As noted, the applicant's proposed MRI service will remain at its present location on the hospital campus of Baptist Rehabilitation-Germantown. The applicant states that emergencies will continue to be managed by existing staff of the MRI service and the radiologists of Mid-South Imaging and Therapeutics, P.A, under the medical supervision of Frank Eggers, M.D., who currently serves at the hospital (a copy of Dr. Eggers CV was provided in Supplemental 1). In addition, Don Hubbard, M.D. will provide oversight, direction and monitoring for all radiology services

Baptist Memorial Medical Group

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JUNE 24, 2015

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of Baptist Medical Group (BMG) physician owned practices in his capacity as the Director of Radiology for BMG (Item 5, 3/27/15 supplemental response).

It appears that this criterion has been met.

- d. The applicant should establish protocols that assure that all MRI Procedures performed are medically necessary and will not unnecessarily duplicate other services.

The applicant plans to continue use of the existing process pertaining to the method for obtaining prior approval for patient MRI services. The applicant will follow established protocol to ensure that MRI procedures are performed only when medically necessary.

It appears that this criterion has been met.

- e. An applicant proposing to acquire any MRI Unit or institute any MRI service, including Dedicated Breast and Extremity MRI Units, shall demonstrate that it meets or is prepared to meet the staffing recommendations and requirements set forth by the American College of Radiology, including staff education and training programs.

The applicant documented that the MRI unit is accredited by the American College of Radiology and will continue to maintain active accreditation.

It appears that this criterion has been met.

- f. All applicants shall commit to obtain accreditation from the Joint Commission, the American College of Radiology, or a comparable accreditation authority for MRI within two years following operation of the proposed MRI Unit.

As noted in the preceding item, the applicant states that it will maintain accreditation by the ACR.

It appears that this criterion has been met.

- g. All applicants should seek and document emergency transfer agreements with local area hospitals, as appropriate. An applicant's arrangements with its physician medical director must specify that said physician be an active member of the subject transfer agreement hospital medical staff.

As noted in the application, the MRI service is located on an existing hospital campus and is within 2.5 miles of the new 49-bed rehabilitation hospital approved in Baptist Memorial Rehabilitation Hospital, CN1212-061A. The applicant confirms that established emergency transfer agreements will continue.

It appears that this criterion has been met.

8. The applicant should provide assurances that it will submit data in a timely fashion as requested by the HSDA to maintain the HSDA Equipment Registry.

The applicant indicates data will continue to be submitted to the HSDA Equipment Registry within the expected time frame.

It appears that this criterion has been met.

9. In light of Rule 0720-11.01, which lists the factors concerning need on which an application may be evaluated, and Principle No. 2 in the State Health Plan, "Every citizen should have reasonable access to health care," the HSDA may decide to give special consideration to an applicant:

- a. Who is offering the service in a medically underserved area as designated by the United States Health Resources and Services Administration; or

All or portions of the 3-county service area are located in Medically Underserved Areas designated by the Health Resources and Services Administration.

The applicant meets this criterion.

- b. Who is a "safety net hospital" or a "children's hospital" as defined by the Bureau of TennCare Essential Access Hospital payment program; or

The criterion does not apply to this application.

- c. Who provides a written commitment of intention to contract with at least one TennCare MCO and, if providing adult services, to participate in the Medicare program; or

The applicant states that Baptist Medical Group participates in Medicare and Medicaid and is contracted with TennCare MCOs, including

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Amerigroup, United Healthcare of River Valley and BlueCross/Blue Shield of Tennessee.

It appears that the applicant meets this criterion.

- d. Who is proposing to use the MRI unit for patients that typically require longer preparation and scanning times (e.g., pediatric, special needs, sedated, and contrast agent use patients). The applicant shall provide in its application information supporting the additional time required per scan and the impact on the need standard.

It appears that this criterion does not apply to the project.

Staff Summary

The following information is a summary of the original application and all supplemental responses. Any staff comments or notes, if applicable, will be in bold italics.

Baptist Medical Group (BMG) seeks approval to transfer the operational management of the existing MRI service approved in Baptist Rehabilitation-Germantown, CN9812-084A, from the hospital to the applicant medical group. Ownership of the existing MRI equipment will transfer between 2 entities that are wholly owned subsidiaries of Baptist Memorial Health Care Corporation. The project does not involve a change in location or the addition of any new medical equipment or services.

As a private physician practice, Baptist Medical Group's proposed MRI service does not require licensure by the Tennessee Department of Health. As such, the applicant anticipates that MRI services can be implemented within 60 days of approval of the application in June 2015. The hours of operation will be 7:30 AM to 5:00 PM Monday through Friday with expanded or weekend shifts scheduled as necessary.

Overview

The existing MRI service at Baptist Rehabilitation-Germantown (BRG) was approved in CN9812-084A. The unit went into operation in the fall of 1999 and exceeded the former MRI standard for utilization (2,200 procedures per unit) in its second year of operation. The original unit was upgraded with a replacement 1.5 Tesla scanner in 2009 and has an estimated remaining useful life of approximately 5 years (*note: for additional information about the MRI service, please see Item 10 of the 3/27/15 supplemental response*).

With respect to other related projects, the applicant notes that BRG recently relocated 49 of 50 licensed beds to a new rehabilitation hospital recently

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constructed at 1240 South Germantown Road approximately 2.5 miles from BRG as approved in Baptist Memorial Rehabilitation Hospital, CN1212-061A. The new 49 bed rehabilitation hospital is an all private room facility that focuses on providing "Center of Excellence" specialized clinical programs for medically complex patients, including patients suffering from stroke, neurological disorders and traumatic brain injuries. The new hospital was licensed by TDH effective September 25, 2014. As a part of CN1212-061A, BRG also de-licensed 49 of 50 acute beds and placed its 18-bed skilled nursing facility approved in CN1001-004A on inactive status per approval by TDH (Source: MRI Standards and Criteria, Exhibit 1, 3/27/15 supplemental response).

BRG remains open with 1 licensed medical-surgical bed and continues to provide outpatient services to the community, including services through Baptist Germantown Surgery Center, a multi-specialty ambulatory surgical treatment center (ASTC) with 5 operating rooms located in dedicated space on the hospital campus. The ASTC is Joint Commission accredited and was licensed by TDH in July 2000 (*per the provider Joint Annual Report, the ASTC performed approximately 9,400 procedures for 2,950 unduplicated patients during the 2014 calendar year period*).

The applicant states that Baptist Memorial Health Care Corporation is developing plans for future uses of the former rehabilitation hospital focusing on improving access and meeting health care needs in an economically efficient manner within a framework of evolving federal policies.

Ownership

Baptist Medical Group is a Tennessee non-profit corporation formed in September 1993. The multi-specialty physician medical group has more than 500 physician members and is a wholly owned subsidiary of Baptist Memorial Health Care Corporation (BMHC), which also owns Baptist Rehabilitation-Germantown (BRG), the existing site of the medical group's proposed MRI service. Related highlights pertaining to the ownership of the applicant and Baptist Memorial Health Care Corporation are as follows:

- Baptist Medical Group's (BMG) Board of Directors is ultimately responsible for oversight of the applicant's proposed MRI service. The board is comprised of 19 BMG physicians and 3 BMHC executives.
- BMG multi-specialty physicians practice from offices located across West Tennessee, North Mississippi and East Arkansas. Specialties include family practice, internal medicine, primary care, oncology, GI, and orthopedics.
- BMG has an 80% ownership in one other MRI service. The service was recently approved under West Tennessee Imaging, CN1403-008A and has not yet been implemented (*note: a brief description of the project and its current status is provided at the end of this summary*).

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- Per Item 1 of the 3/27/15 supplemental response, Baptist Memorial Health Care Corporation has financial interests in multiple health care entities in West Tennessee, including 8 hospitals, 7 ASTCs, and 4 home health agencies.
- With respect to MRI only, providers owned by BMHC operate 7 fixed units in Shelby County and 3 fixed units in other West Tennessee Counties.
- Dr. Don Hubbard, a board certified radiologist with over 30 years of experience in radiology, serves as BMG's Director of Radiology (*note: a brief summary of Dr. Hubbard's experience and qualifications is provided in Item 5 of the 3/27/15 supplemental response*).

Facility and MRI Equipment Information

Key highlights of the applicant's proposed MRI service are noted below.

- Baptist Medical Group will lease the existing 1,200 square foot space being used on the first floor by the imaging department of Baptist Rehabilitation-Germantown. No new construction or renovation is required.
- A contingency cost of \$75,000 is included in the total project cost for any minor clean-up or cosmetic needs that might be necessary.
- The existing MRI service approved in CN9812-084A utilizes a 1.5 Tesla unit manufactured by Siemens. As noted, records of BMHC reflect that the hospital MRI service has performed approximately 30,420 total MRI scans from 1999-2014.
- The proposed transfer of the MRI service to the applicant is expected to improve utilization through increased referrals and use of an integrated electronic medical record system. Referrals by specialty for Year 1 are shown in the table on Item 12 of Supplemental 1.
- Radiologists of Mid-South Imaging and Therapeutics, P.A. will continue to provide medical supervision and imaging interpretation services on a contractual basis for the applicant's proposed MRI service.
- The applicant will bill for MRI procedures on a global basis inclusive of technical and professional (imaging interpretation) fees.
- Other than MRI, outpatient services will continue to be provided on the hospital campus of Baptist Rehabilitation-Germantown. An existing ASTC is also located on the hospital campus.
- Emergency services are within 5-8 miles at nearby acute care hospital Emergency Departments.

Project Need

The applicant states that the certificate of need for continuation of MRI service approved in CN9812-084A under new ownership and management by Baptist Medical Group is needed for the following reasons:

- To meet HSDA requirements that address replacing previously approved and implemented certificates of need due to a change in ownership.

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- To continue access by residents of Shelby, Fayette and Tipton Counties in Tennessee who are patients of a large multi-specialty medical group practice.
- To adhere to Baptist Health Care Corporation's commitment to adapting and adjusting its network of facilities and services focused on meeting changing health care needs.
- To continue to provide MRI service at an affordable, all inclusive "global fee" that is lower by comparison to other similar providers and is below the 1st Quartile average gross charge of \$1,570 per MRI procedure reflected in HSDA Equipment Registry records.
- To continue access by patients enrolled in Medicare and Medicaid at rates similar to the historical utilization of the hospital MRI service.

Service Area Demographics

Baptist Medical Group's primary service area (PSA) includes Shelby, Tipton and Fayette Counties. Residents of the PSA accounted for 958 of 1,212 total MRI procedures performed by Baptist Rehabilitation-Germantown in 2013. Highlights of the applicant's proposed service area are provided as follows:

- The total population of the PSA is estimated at 1,053,153 residents in calendar year (CY) 2015 increasing by approximately 1.7% to 1,070,640 residents in CY 2019.
- The overall Tennessee statewide population is projected to grow by 3.7% from 2015 to 2019.
- Residents age 65 and older account for approximately 12.2% of the total PSA population compared to 15.2% statewide.
- The age 65 and older resident population is expected to increase by 15.5% compared to 12% statewide from CY2015 - CY2019.
- The median age in the PSA is 37 compared to age 33 statewide.
- The number of residents enrolled in TennCare is approximately 28% of the total PSA population compared to 18.1% statewide.

Historical and Projected Utilization

Projected utilization will build upon the historical volumes of the Baptist Rehabilitation-Germantown MRI service and is expected to increase due to a number of factors that were highlighted in Item 4 of Supplemental 2 such as the large saturation of BMG office locations across the service area, flexibility in scheduling with other hospitals in the Baptist Memorial Health Care system, and integrated care coordination measures within the medical group. Residents of the primary service area may account for approximately 79% or greater of BMG's total projected MRI procedures in the first year of the project. Additional key factors that apply to the projected utilization of the MRI service are as follows:

- No changes in practice site, equipment or service area.

- Continued wide-range of clinical applications from referrals by multi-specialty physicians of BMG such as scans of the spine, chest, upper/lower extremities and the brain.
- Continued participation in major health insurance contracts available in West Tennessee, including TennCare MCO plans, through participation in the BMHC network of facilities and services
- Continuity of care through use of BRG's integrated medical record implemented in March 2015. Integrated scheduling and patient accounts management system support.

The historical and projected MRI utilization is shown in the table below.

Table 1- Applicant's Historical and Projected Utilization

2011	2012	2013	2014	% Change '11-'14	Year 1	Year 2
1,622	1,596	1,212	1,107	-32%	2,560	2,637

Sources: HSDA Equipment Registry, Projected Data Chart, CN1503-010

The inventory and 3 year utilization trend of existing MRI providers and their use by residents of the primary service area (PSA) was identified in the application and ultimately clarified in Item 6 of Supplemental 2.

A snapshot of provider MRI utilization trends in the PSA from 2011-2013 is shown in the 2 tables below. The first table highlights MRI utilization by county residence of origin from 2011-2013. The second table shows the combined historical provider utilization by county as documented in the HSDA Equipment Registry. The utilization used for this table is condensed from the table provided for Item 11 (Historical Utilization) in Supplemental 1.

MRI Utilization Trend by Residents of Applicant's PSA

County	Resident Procedures 2011	Resident Procedures 2012	Resident Procedures 2013	% Change '11-'13
Shelby	73,943	71,878	69,647	-5.8%
Fayette	2,818	2,983	3,373	19.7%
Tipton	5,753	5,641	5,816	1.1%
Total	82,514	80,502	78,836	-4.5%

MRI Volumes by Providers Located in Applicant's PSA, 2011-2013

County	MRI Units	Total Provider MRI Scans 2011	Total Provider MRI Scans 2012	Total Provider MRI Scans 2013	% Change '11-'13	Resident Scans by County of Origin* 2013

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Shelby	39 fixed**	113,591	110,952	108,579	-4.4%	69,647
Fayette	1 mobile** *	324	271	204	-37%	3,373
Tipton	1 fixed	1,143	1,265	1,153	1%	5,816
Total Provider MRI Scans	41 units	115,058	112,488	109,936	-4.3%	78,836
BMHC Hospital MRI Scans	8 fixed (includes 1 shared)	17,293	17,158	15,923	-7.9%	12,018

Notes: * excludes St Jude Children's Hospital & Delta Medical Center utilization by patient origin- these hospitals do not track patient origin information. **Four of the 39 fixed MRI units in Shelby County are shared use arrangements between providers. *** Methodist Healthcare-Fayette ceased operations in March 2015.

Source: HSDA Equipment Registry and reconciliation for staff summary on 6/5/15

The tables reflect the following:

- Total provider utilization declined slightly by approximately 4.3% from 115,058 total procedures in 2011 to 109,936 total procedures in 2013 (2,668 procedures per unit). *Note: there is a slight difference from TDH sum table due to the utilization identified for the West Clinic. HSDA records show that the provider performed 1,287 MRI procedures in 2013.*
- The combined utilization of the 7 MRI units operated by hospital members of the Baptist Memorial Health Care Corporation declined by 8% from 17,293 in 2011 to 15,923 in 2013 (2,275 per unit).
- On average, residents of the 3-county PSA accounted for approximately 72% of 109,936 total MRI volumes performed by all MRI providers in the PSA during 2013 compared to 79% resident use of the unit at Baptist Rehabilitation-Germantown in 2013.
- There is high level of outmigration by residents of Fayette and Tipton Counties to MRI providers in Shelby County and other parts of TN.

Project Cost

The total project cost is \$1,262,000.00. As clarified in Item 13 of Supplemental 1, the revised Project Costs Chart provides corrected amounts for the MRI service agreement and the estimated fair market value of the facility lease cost for the proposed MRI service. Major costs are as follows:

- The actual 5-year facility lease cost is \$125,000. However, the fair market value (FMV) of the facility cost was used for CON purposes in accordance with HSDA Rules as clarified in Item 6 of Supplemental 1. In this case, the FMV cost used in the chart is \$239,215 based on documentation from the Shelby County Tax Assessor's Office (19% of total project cost).
- The equipment cost is \$480,000 or 38% of the total project cost. This amount is the estimated fair market value (FMV) of the existing MRI 1.5 Tesla

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Siemens MRI unit as documented by the equipment vendor in Item 7 of Supplemental 1.

- As noted, the \$75,000 contingency cost is included for minor repairs, signage or painting that may be needed for the MRI space.
- The applicant estimates that only \$91,500 in cash flow may be involved for start-up of the MRI service (Item 2, Supplemental 1)
- For other details on revised project cost of the project, see the revised Project Cost Chart immediately following page 18 of the application.

Projected Data Chart

The Projected Data Chart on page 23 of the application reflects \$3,193,088 in total gross operating revenue on 2,560 procedures in Year 1 (average of \$1,247 per MRI procedure). The Projected Data Chart reflects the following:

- Gross operating revenue increases by 1.98% from Year 1 to \$3,256,950 on 2,637 procedures in Year 2.
- Net operating income (NOI) is favorable in the first year of the project at 2.2% of gross operating revenue.
- The applicant allocates approximately \$48,000 per year for charity and \$45,000 per year for bad debt in Year 1 and 2.
- Contractual adjustments account for the highest deductions from revenue averaging approximately 71% of gross revenue per year. It appears that the applicant's 40% combined Medicare/TennCare payor mix may help explain why contractual adjustments are higher for this service.
- Other expenses, including equipment service, image interpretation fees and general administrative expenses, account for approximately 65% of total operating expenses budgeted for the project in Year 1 and 2.

Charges

The projected average gross charge amounts to approximately \$1,247 in Year 1 compared to the most recent charge reported by Baptist Rehabilitation-Germantown of approximately \$2,685 per procedure. As noted in Item 15 of Supplemental 1, the applicant clarified that gross operating revenue for MRI services differs between physician practices and hospitals due to financial contracting arrangements and requirements for providing services in different types of settings such as reimbursement under Medicare Part A for hospitals compared to Medicare Part B for physicians. The applicant plans on billing on a global fee basis. As noted, professional fees are included in the rate for imaging interpretation services performed by the contract radiologist physician practice. Highlights of the applicant's charges are as follows:

- The fee schedule of the applicant's global MRI charges with breakout by CPT classification compared to other existing MRI providers is shown on page 25 of the application.

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- The average gross charge for MRI is \$1,247/scan. After deductions, the projected average net charge is \$325/scan.
- Average gross charge appears to be slightly lower than other outpatient imaging providers in Shelby County.
- According to HSDA records, the \$1,247 average gross charge is below the 1st Quartile MRI charge of \$1,570/scan.

Payor Mix

- BMG currently participates in all TennCare MCO plans operating in the PSA offered through United HealthCare of the River Valley, Blue Cross and BlueShield and Amerigroup.
- The Medicare and Medicaid projected gross operating revenue is shown in the table below.

MRI Government Payor Source, Year 1

Payor Source	Gross Revenue	As a % of Total
Medicare	\$1,047,333	32.8%
TennCare	\$261,833	8.2%
Total Gross Revenue	\$3,193,088	100%

Financing

The applicant clarified that funding support for the project will be provided from Baptist Memorial Hospital-Memphis, a related entity of Baptist Memorial Health Care Corporation (BMHC). A letter dated March 12, 2015 from Donald Pounds, Chief Financial Officer, BMHC, was provided for Item 14 of Supplemental 1 supporting the method of funding. Additional highlights are noted below.

- The applicant will negotiate operating lease for the use of the facility with Baptist Rehabilitation-Germantown.
- The MRI equipment is currently owned by BRG and will be reflected as an internal transfer of assets for accounting purposes.
- Actual funding for start-up costs is minimal.
- Review of the Balance Sheet for Baptist Memorial Hospital-Memphis revealed total current assets of \$175,363,415, including cash and cash equivalents of \$42,705,803 and total current liabilities of \$81,208,684 for the period ending February 2015. As a result, the Current Ratio was approximately 2.2 to 1.0 for the period.

Note to Agency Members: current ratio is a measure of liquidity and is the ratio of current assets to current liabilities which measures the ability of an entity to cover its current liabilities with its existing current assets. A ratio of 1:1 would be required to have the minimum amount of assets needed to cover current liabilities.

Staffing

There are no changes planned for existing staffing or medical supervision of the proposed MRI service. Administrative staff of Baptist Medical Group will be utilized to assist with scheduling, billing and collections activities pertaining to the MRI service.

- Time allocated to the MRI service for a staff MRI technicians amounts to approximately 1.5 full time equivalent.
- A small percentage of other staff activity for nursing, reception and billing staff in an amount averaging approximately 720 hours per year is also allocated to the service.

Licensure/Accreditation

As a private medical group practice, the applicant is not licensed by Tennessee Department of Health. The applicant plans to seek Joint Commission Accreditation and will continue to contract with Mid-South Imaging and Therapeutics; an American College of Radiology accredited radiology practice, for medical supervision and imaging interpretation services.

Corporate documentation, site control information, a vendor quote documenting the maintenance service agreement cost and a copy of the FDA approval of the MRI unit are on file at the Agency office and will be available at the Agency meeting.

Should the Agency vote to approve this project, the CON would expire in two years.

CERTIFICATE OF NEED INFORMATION FOR THE APPLICANT:

There are no other Letters of Intent, denied or pending applications, or outstanding Certificates of Need for this applicant. .

Note: Baptist Medical Group is a wholly owned subsidiary of Baptist Memorial Health Care Corporation of Memphis, Tennessee (BMHC), which has financial interests in this project. BMHC has no other Letters of Intent, denied or pending applications.

Outstanding Certificates of Need

West Tennessee Imaging, CN1403-008A, has an outstanding Certificate of Need that will expire on August 1, 2016. The CON was approved at the June 25, 2014 Agency meeting for the establishment of an Outpatient Diagnostic Center (ODC), the acquisition of magnetic resonance imaging (MRI) equipment and the initiation of MRI services by relocating an existing ODC with MRI service from 5130 Stage Road, Memphis, TN to a new facility in approximately 8,258 square feet of new

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construction of an existing two-story building at 7600 Wolf River Boulevard, Memphis (Shelby County), TN 38120, a distance of approximately ten (10) miles. Upon licensing of the proposed ODC, the license for the Outpatient Diagnostic Center of Memphis will be relinquished and MRI services at that location will cease. The estimated project cost is **\$10,123,989.00**. *Project Status: Baptist Medical Group, a wholly owned subsidiary of Baptist Memorial Health Care Corporation, holds an 80% ownership interest in West Tennessee Imaging, LLC. Per 6/5/15 e-mail from Arthur Maples, Director of Strategic Analysis, BMHC, construction of the new facility is nearing completion and expects to open within the next 6 months.*

Baptist Memorial Rehabilitation Hospital, CN1212-061A, has an outstanding Certificate of Need that will expire on May 1, 2016. The CON was approved at the March 27, 2013 Agency meeting for the establishment of a forty-nine (49) bed rehabilitation hospital to be constructed at 1238 and 1280 South Germantown Parkway, Germantown (Shelby County), TN. As part of the project, Baptist Rehabilitation Hospital-Germantown will de-license the forty-nine (49) bed rehabilitation unit from its 50-bed hospital located at 2100 Exeter Road, Germantown (Shelby County), TN. Baptist Rehabilitation Hospital-Germantown is approximately 2.5 miles from the proposed new facility. **The total estimated project cost is \$33,167,000.00.** *Project Status: HSDA has requested an Annual Project Report that was due May 2015. An e-mail was received from Arthur Maples, Director of Strategic Analysis, Baptist Memorial Health Care Corporation, on June 5, 2015 advising that the project has been completed pending confirmation of a final total project cost to be included in the Final Project Report. Written documentation from the Tennessee Department of Health (TDH) is on file with HSDA confirming that TDH decreased the license for Baptist Rehabilitation-Germantown from 50 beds to 1 bed effective December 18, 2014 and licensed Baptist Memorial Rehabilitation Hospital for 49 beds effective January 22, 2015.*

Baptist Memorial Hospital-Tipton d/b/a Baptist Center for Cancer Care, CN1211-057A has an outstanding Certificate of Need that will expire April 1, 2016. The CON was approved at the February 27, 2013 Agency meeting for the relocation of Baptist Center for Cancer Care (BCCC) from its approved site at 1238 and 1280 South Germantown Parkway, Germantown (Shelby County), TN 38138 to the building known as The Shops of Humphreys Center at 50 Humphreys Boulevard, Memphis (Shelby County), TN 38120. The proposed new location also includes space conveniently located in nearby buildings at 80 Humphreys Center and 6029 Walnut Grove Road. The Cancer Center project includes the relocation of a positron emission tomography (PET/CT) unit, initiation of linear accelerator services, and acquisition of major medical equipment and related assets currently owned and operated by Baptist Memorial Hospital-Memphis (BMHM). The project involves relocating from BMHM two (2) linear accelerators and other radiation oncology equipment along with the CyberKnife linear accelerator. One (1) of the existing

linear accelerators to be relocated from BMHM will be replaced when installed at the BCCC. The PET/CT unit to be relocated to BCCC will be a replacement of the BMHT PET/CT currently located at 1945 Wolf River Blvd., Germantown (Shelby County), TN 38138. The hospital total Cancer Center space is approximately 153,200 square feet. The project does not involve the addition of beds or any service for which a Certificate of Need is required. The estimated project cost is **\$84,834,200.00**. *Project Status: per June 8, 2015 e-mail update received from Arthur Maples, Director of Strategic Analysis, the project remains in progress with anticipated completion by March 2016, one month prior to the April 2016 expiration date. The renovation of the Thoracic Clinic has been completed and was approved by TDH for occupancy on May 1, 2014. Space for clerical, administrative and support functions has been leased in a building at the 80 Humphreys Center located close to the new location of the Baptist Center for Cancer Center. Since construction on the new cancer center has not begun as of June 2015, the representative states that it is possible that a request for an extension of time will be submitted to the Agency for review and approval in the near future.*

Baptist Memorial Hospital for Women, CN1211-058A, has an outstanding Certificate of Need that will expire April 1, 2016. The CON was approved at the February 27, 2013 Agency meeting for the construction of an Emergency Department dedicated for pediatric patients and the initiation of Magnetic Resonance Imaging (MRI) services on the Baptist Women's campus. The project will involve 37,500 square feet of new construction. The project does not involve the addition of beds or any other service for which a Certificate of Need is required. The estimated project cost is **\$14,105,241.00**. *Project Status: during initial staff review of Baptist Medical Group, CN1503-010, the applicant advised that the project has been completed and a Final Project Report will be submitted to HSDA. Subsequently, an e-mail was received from Arthur Maples, Director of Strategic Analysis, Baptist Memorial Health care Corporation on June 5, 2015 confirming that the project has been completed and the company is working on a final project cost to submit with the Final Project Report.*

CERTIFICATE OF NEED INFORMATION FOR OTHER SERVICE AREA FACILITIES:

There are no Letters of Intent or denied or pending applications for similar service area entities proposing this type of service.

Outstanding Certificates of Need

Regional One Health Imaging, CN1406-024AM, has an outstanding Certificate of Need that will expire on November 1, 2016. The project was approved at the September 24, 2014 Agency meeting for the establishment of an outpatient diagnostic center (ODC), the acquisition of magnetic resonance imaging (MRI) equipment and the initiation of MRI services in approximately 5,275 square feet of leased space on the first floor of

an existing medical office building owned by ROH. The building is located on a 6 acre site at 6555 Quince Road in Memphis, Tennessee, approximately 17 miles southeast of the hospital campus in Memphis. In addition to MRI, the proposed ODC will provide computed tomography, mammography, X-Ray/Fluoroscopy, bone density and ultrasound services. The estimated project cost is **\$5,345,900.00**. *Note: at the September 2014 Agency meeting immediately after receiving approval to establish the ODC, a change of control from Regional One Health LLC to Shelby County Health Care Corporation d/b/a Regional One Health was approved so the facility could be operated as an outpatient department of the hospital in lieu of a free-stranding ODC. Project Status: the project is underway and an Annual Progress Report is due in September 2015. HSDA staff sent an e-mail request on June 1, 2015 for a brief update about the project's status. The project contact advised HSDA staff on 6/11/15 that Regional One executive leadership has been notified and the update will be provided as soon as available.*

Methodist Healthcare-Memphis Hospital d/b/a West Cancer Center, CN1311-043A, has an outstanding Certificate of Need that will expire on April 1, 2017. The CON was approved at the February 26, 2014 Agency meeting for the establishment of a 109,285 square foot comprehensive cancer center to be operated as an outpatient department of Methodist Healthcare. The facility will be located on 9.63 acres at 7945 Wolf River Boulevard, Germantown (Shelby County), TN 38138. The project includes the relocation of a linear accelerator, positron emission tomography/computed tomography (PET/CT), magnetic resonance imaging (MRI) and computed tomography (CT) services and equipment, to replace MRI equipment, to acquire an additional linear accelerator and to establish ambulatory operating rooms. The estimated total project cost is **\$60,554,193.00**. *Project Status: an Annual Project Report submitted in March 2015 states that the anticipated completion date of the project is December 2015. Renovation of non-clinical areas in Phase 1 is completed. Construction scheduled for Phase 2 is underway, including site work for a new parking deck and construction of the linear accelerator vaults.*

Methodist Healthcare-d/b/a LeBonheur Children's Hospital, CN1311-042A, has an outstanding Certificate of Need that will expire on April 1, 2017. The CON was approved at the February 26, 2014 Agency meeting for the establishment of a pediatric center and to initiate and acquire magnetic resonance imaging (MRI) and computed tomography (CT) service and equipment. The facility will be located at 100 North Humphreys Boulevard, Memphis (Shelby County), TN and will be operated as an outpatient department of LeBonheur Children's Hospital. The estimated project cost is **\$26,798,857**. *Project Status: an Annual Project report submitted in March 2015 states that the anticipated project completion date is July 2016. Phase 1 for the renovation of approximately 10,000 SF on the 2nd floor has been completed and approved by TDH. Phase 2 for all further renovation will commence once the relocation of the West Clinic approved in CN1311-043A is completed on or about December 2015.*

**PLEASE REFER TO THE REPORT BY THE DEPARTMENT OF HEALTH,
DIVISION OF HEALTH STATISTICS, FOR A DETAILED ANALYSIS OF THE
STATUTORY CRITERIA OF NEED, ECONOMIC FEASIBILITY, AND
CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE IN
THE AREA FOR THIS PROJECT. THAT REPORT IS ATTACHED TO THIS
SUMMARY IMMEDIATELY FOLLOWING THE COLOR DIVIDER PAGE.**

PJG;
06/05/15



MAR 10 '15 PM 12:30

LETTER OF INTENT

TENNESSEE HEALTH SERVICES AND DEVELOPMENT AGENCY

The Publication of Intent is to be published in the Commercial Appeal which is a newspaper
(Name of Newspaper)
of general circulation in Shelby and other counties in, Tennessee, on or before March 10, 2015,
(County) (Month / day) (Year)
for one day.

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This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1601 *et seq.*, and the Rules of the Health Services and Development Agency, that: Baptist Memorial Medical Group, Inc. d/b/a Baptist Medical Group, a physicians group, with an ownership type of Corporation intends to file an application for a certificate of need to initiate magnetic resonance imaging ("MRI") services at 2100 Exeter Road, Germantown, Tennessee 38138 as part of its practice. The MRI unit that will be used by Baptist Medical Group is currently owned and operated at this location by Baptist Rehabilitation-Germantown, and the unit will be transferred to Baptist Medical Group as part of project. The project does not involve any other facility or service for which a certificate of need is required. The estimated project cost for certificate of need purposes is \$1,262,000.

The anticipated date of filing the application is: March 13, 2015

The contact person for this project is Arthur Maples Director Strategic Analysis
(Contact Name) (Title)

who may be reached at: Baptist Memorial Health Care Corporation 350 N Humphreys Blvd
(Company Name) (Address)

Memphis TN 38120 901 / 227-4137
(City) (State) (Zip Code) (Area Code / Phone Number)

Arthur Maples 3/9/2015 arthur.maples@bmhcc.org
(Signature) (Date) (E-mail Address)

=====

The Letter of Intent must be filed in triplicate and received between the first and the tenth day of the month. If the last day for filing is a Saturday, Sunday or State Holiday, filing must occur on the preceding business day. File this form at the following address: **Health Services and Development Agency**

**Andrew Jackson Building
502 Deaderick Street, 9th Floor
Nashville, Tennessee 37243**

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The published Letter of Intent must contain the following statement pursuant to T.C.A. § 68-11-1607(c)(1). (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

**CERTIFICATE OF NEED
REVIEWED BY THE DEPARTMENT OF HEALTH
DIVISION OF POLICY, PLANNING AND ASSESSMENT
615-741-1954**

DATE: May 30, 2015

APPLICANT: Baptist Medical Group, Inc.
2100 Exeter Road
Germantown, Tennessee 38138

CN1503-010

CONTACT PERSON: Arthur Maples
Baptist Memorial Healthcare Corporation
350 Humphreys Boulevard
Memphis, Tennessee 38120

COST: \$1,262,000

In accordance with Section 68-11-1608(a) of the Tennessee Health Services and Planning Act of 2002, the Tennessee Department of Health, Division of Policy, Planning, and Assessment, reviewed this certificate of need application for financial impact, TennCare participation, compliance with *Tennessee's State Health Plan*, and verified certain data. Additional clarification or comment relative to the application is provided, as applicable, under the heading "Note to Agency Members."

SUMMARY:

The applicant, Baptist Memorial Medical Group, Inc., d/b/a Baptist Medical Group, a physicians group, with an ownership type of corporation, seeks Certificate of Need (CON) approval to initiate magnetic resonance imaging (MRI) services at 2100 Exeter Road, Germantown, Tennessee 38138 as part of its practice.

Baptist Medical Group is a group of more than 500 primary and specialty care doctors practicing in locations of West Tennessee, North Mississippi, and East Arkansas. The MRI unit that will be used by Baptist Medical Group is currently owned by Baptist Rehabilitation-Germantown, and will be transferred as part of this project. The project does not involve any other facility or service for which a CON is required. Baptist Medical Group will lease 1,200 square feet of space from the hospital and acquire the MRI equipment.

Baptist Medical Group is a wholly owned subsidiary of Baptist Memorial Health Care Corporation. Baptist Medical Group is also an 80% member of West Tennessee Imaging, LLC.

The total project cost is \$1,262,000 and is already owned by Baptist Memorial Health Care Corporation. Since the equipment is actually moving within Baptist Memorial Health Care Corporation, it is likely the funding will be minimal. The Chief Financial Officer attests to this in a letter located in Supplemental 1.

GENERAL CRITERIA FOR CERTIFICATE OF NEED

The applicant responded to all of the general criteria for Certificate of Need as set forth in the document *Tennessee's State Health Plan*.

NEED:

The applicant's service area includes Fayette, Shelby, and Tipton counties.

Service Area 2015 and 2019 Population Projections

County	2015 Population	2019 Population	% Increase/ (Decrease)
Fayette	41,835	45,963	9.9%
Shelby	946,559	956,200	1.0%
Tipton	64,759	68,477	5.7%
Total	1,053,153	1,070,640	1.7%

Source: *Tennessee Population Projections 2010-2020, June 2013 Revision*, Tennessee Department of Health, Division of Policy, Planning, and Assessment-Office of Health Statistics

Baptist Medical Group (BMG) is a group of more than 500 primary and specialty care doctors practicing at locations in West Tennessee, North Mississippi, and East Arkansas. BMG is a wholly owned subsidiary of Baptist Memorial Healthcare and was established to provide an integrated approach that emphasizes physician collaboration and coordination to be able to offer patients as much convenience as possible while providing excellent patient care.

The Baptist system continually adjusts to the changing health care needs by adjusting its network of facilities and services. In 2014, Baptist Memorial Rehabilitation Hospital opened their new facility and moved inpatient rehabilitation beds from Baptist Rehabilitation-Germantown Hospital (BRG) providing new opportunities for the BRG building that already included a separately licensed ASTC.

The proposed project transfers the operational management of the existing MRI service at BRG from the hospital to the physicians group. BMG is led by a board of 19 physicians and 3 executives of Baptist Memorial Healthcare Corporation. BMHCC has experience with MRI operations in various settings. The 19 member board will eventually take over the oversight of the MRI service.

The HSDA Equipment Registry provides the following listing of equipment for the applicant's service area:

Fayette	Methodist Healthcare-Fayette Hospital	2013	0	Mobile	1-one day a week	204
Shelby	Baptist Memorial Hospital - Collierville	2013	1	Fixed	0	1,593
Shelby	Baptist Rehabilitation -Briarcrest	2013	.5	Fixed	0	613
Shelby	Baptist Memorial Hospital - Memphis	2013	3	Fixed	0	11,280
Shelby	Baptist Memorial Hospital for Women	2013	1	Fixed	0	72
Shelby	Baptist Rehabilitation - Germantown	2013	1	Fixed	0	1,212
Shelby	Campbell Clinic-Union	2013	1	Fixed	0	2,539
Shelby	Campbell Clinic Inc.	2013	1	Fixed	0	5,547
Shelby	Delta Medical Center	2013	1	Fixed	0	674
Shelby	Diagnostic Imaging PC - Memphis	2013	1	Fixed	0	6,737
Shelby	LeBonheur Children's Medical Center	2013	3	Fixed	0	5,333
Shelby	Methodist Healthcare-Germantown Hospital	2013	2	Fixed	0	6,892
Shelby	Methodist Healthcare-North Hospital	2013	2	Fixed	0	6,003
Shelby	Methodist Healthcare-South Hospital	2013	1	Fixed	0	4,090
Shelby	Methodist Healthcare-University Hospital	2013	3	Fixed	0	10,524
Shelby	MSK Group, PC	2013	1	Fixed	0	3,013

Shelby	MSK Group-Briarcrest	2013	.5	Fixed	0	4,637
Shelby	Neurology Clinic, PC	2013	.5	Fixed	0	3,312
Shelby	Outpatient Diagnostic Center of Memphis	2013	1	Fixed	0	2,563
Shelby	Park Avenue Diagnostic Center	2013	2	Fixed	0	2,075
Shelby	Regional Medical Center, The (Regional One Health)	2013	1	Fixed	0	4,131
Shelby	Semmes Murphy Clinic	2013	2	Fixed	0	6,277
Shelby	St. Francis Hospital	2013	3	Fixed	0	5,326
Shelby	St. Francis Hospital - Bartlett	2013	2	Fixed	0	3,518
Shelby	St. Jude Children's Research Hospital	2013	4	Fixed	0	8,305
Shelby	Wesley Neurology	2013	.5	Fixed	0	1,026
Shelby	The West Clinic, P.C.	2013	1	Fixed	0	613
Tipton	Baptist Memorial-Tipton	2013	1	Fixed	0	1,153
Total			41		1	109,262

There are 42 total MRIs being utilized in the service area according to the HSDA Equipment Registry; four that are used part time (shared) and one mobile unit that is utilized 1 day per week.

The applicant projects 2,550 and 2,637 MRI procedures in years one and two of the project.

TENNCARE/MEDICARE ACCESS:

The applicant participates in both the Medicare and TennCare programs. BMG contracts with AmeriGroup, UnitedHealth Care of River Valley, Inc., and BlueCross/BlueShield of Tennessee.

BMG projects year one Medicare revenues of \$1,047,333 or 32.8% of gross revenues and TennCare/Medicaid revenues of \$261,833 or 8.2% of total revenues.

ECONOMIC FACTORS/FINANCIAL FEASIBILITY:

The Department of Health, Division of Policy, Planning, and Assessment have reviewed the Project Costs Chart, the Historical Data Chart, and the Projected Data Chart to determine if they are mathematically accurate and if the projections are based on the applicant's anticipated level of utilization. The location of these charts may be found in the following specific locations in the Certificate of Need Application or the Supplemental material:

Project Costs Chart: The Project Costs Chart is located in Supplemental 1. The total estimated project cost is \$1,262,000.

Historical Data Chart: The Historical Data Chart is located in Supplemental 1. The applicant reported 3,107, 1,836, and 1,667 MRI procedures in 2012, 2013, and 2014, with net operating income \$118,359, (\$173,544) and (\$251,895) each year, respectively.

Projected Data Chart: The Projected Data Chart can be found on page 23 of the application. The applicant projects 2,560 and 2,637 patient days in years one and two with net operating income of \$69,723 and \$71,796 each year, respectively.

BMG provides proposed project charges by CPT code along with charges from CN1403-008 for comparison located on page 25 of the application. The average gross charge per MRI procedure will be \$1,247, with an average deduction of \$922, resulting in an average net charge of \$325.

The applicant considered continuing the operation of the imaging services as a department of the hospital. However, the decline in utilization and the opening of the new hospital indicated that change was needed to continue effective use of the resources.

BMG believes the availability of the imaging equipment and the capabilities of the new information system is an important upgrade to service patient needs.

CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTHCARE:

BMG was established to provide an integrated approach that emphasizes physician collaboration and coordination to offer patients as much convenience as possible.

BMG physicians are actively involved in hospital services, nursing homes, long term care, and home health organizations. They have a working relationship with multiple healthcare plans throughout the service area, including Medicare and TennCare/Medicaid.

This proposed project will not add additional equipment or capacity to the service area and will not impact the health care system as a whole.

The project involves 1.5 FTE MRI Imaging Technologists that is already employed in that capacity.

Baptist Memorial Health Care Corporation is a strong supporter of educational opportunities throughout the region. Baptist Memorial College of Health Sciences offers Bachelor's degrees in nursing and allied health sciences as well as continuing education for professionals.

BMG is not a healthcare facility but a physician's office, but Joint Accreditation is planned.

SPECIFIC CRITERIA FOR CERTIFICATE OF NEED

The applicant responded to all relevant specific criteria for Certificate of Need as set forth in the document *Tennessee's State Health Plan*.

**Magnetic Resonance Imaging
Standards and Criteria**

1. Utilization Standards for non-Specialty MRI Units.

- a. An applicant proposing a new non-Specialty stationary MRI unit should project a minimum of at least 2160 MRI procedures in the first year of service, building to a minimum of 2520 procedures per year by the second year of service, and building to a minimum of 2800 procedures per year by the third year of service and for every year thereafter.

This project is not adding any additional MRI units to the service area. Certificate of Need approval is required to transfer the operational management of the services from BRG to BMG, both of which are within the same health system.

The applicant projects 2,560 scan in year one and 2,637 scans in year two based on surveys and analysis of service area locations.

- b. Providers proposing a new non-Specialty mobile MRI unit should project a minimum of at least 360 mobile MRI procedures in the first year of service per day of operation per week, building to an annual minimum of 420 procedures per day of operation per week by the second year of service, and building to a minimum of 480 procedures per day of operation per week by the third year of service and for every year thereafter.

Not applicable

- c. An exception to the standard number of procedures may occur as new or improved technology and equipment or new diagnostic applications for MRI units

are developed. An applicant must demonstrate that the proposed unit offers a unique and necessary technology for the provision of health care services in the Service Area.

Not applicable.

- d. Mobile MRI units shall not be subject to the need standard in paragraph 1b if fewer than 150 days of service per year are provided at a given location. However, the applicant must demonstrate that existing services in the applicant's geographical area are not adequate and/or that there are special circumstances that require these additional services.

Not applicable.

2. Access to MRI Units. All applicants for any proposed new MRI Unit should document that the proposed location is accessible to approximately 75% of the service area's population. Applications that include non-Tennessee counties in their proposed service areas should provide evidence of the number of existing MRI units that service the non-Tennessee counties and the impact on MRI unit utilization in the non-Tennessee counties, including the specific location of those units located in the non-Tennessee counties, their utilization rates, and their capacity (if that data are available).

The applicant's services are with in access of the service area's population.

3. Economic Efficiencies. All applicants for any proposed new MRI Unit should document that alternate shared services and lower cost technology applications have been investigated and found less advantageous in terms of accessibility, availability, continuity, cost, and quality of care.

The Baptist system continually adjusts to the changing health care needs by adjusting its network of facilities and services. In 2014, Baptist Memorial Rehabilitation Hospital opened their new facility and moved inpatient rehabilitation beds from Baptist Rehabilitation-Germantown Hospital (BRG) providing new opportunities for the BRG building that already included a separately licensed ASTC.

The applicant reports this project will improve operational efficiencies of an existing resource in and economical manner. The MRI is only 6 years old and the facility will require only minor refurbishment.

4. Need Standard for non-Specialty MRI Units.

A need likely exists for one additional non-Specialty MRI unit in a Service Area when the combined average utilization of existing MRI service providers is at or above 80% of the total capacity of 3600 procedures, or 2880 procedures, during the most recent twelve-month period reflected in the provider medical equipment report maintained by the HSDA. The total capacity per MRI unit is based upon the following formula:

Stationary MRI Units: $1.20 \text{ procedures per hour} \times \text{twelve hours per day} \times 6 \text{ days per week} \times 50 \text{ weeks per year} = 3,600 \text{ procedures per year}$

Mobile MRI Units: $\text{Twelve (12) procedures per day} \times \text{days per week in operation} \times 50 \text{ weeks per year}$. For each day of operation per week, the optimal efficiency is 480 procedures per year, or 80 percent of the total capacity of 600 procedures per year.

The Department of Health, Division of Policy, Planning, and Assessment calculated the number of procedures per MRI unit in the applicant's service area minus St. Jude's Hospital, children's specialty hospital, Baptist Memorial Women's Hospital, only in operation two months, Baptist Memorial Tipton, not in competition for the same patient type and Methodist Hospital Lafayette, a one day per week mobile MRI.

The MRI unit utilization is 2,844 per unit excluding the above facilities.

Need Standards for Specialty MRI Units.

- a. Dedicated fixed or mobile Breast MRI Unit. An applicant proposing to acquire a dedicated fixed or mobile breast MRI unit shall demonstrate that annual utilization of the proposed MRI unit in the third year of operation is projected to be at least 1,600 MRI procedures (.80 times the total capacity of 1 procedure per hour times 40 hours per week times 50 weeks per year), and that:
 1. It has an existing and ongoing working relationship with a breast-imaging radiologist or radiology proactive group that has experience interpreting breast images provided by mammography, ultrasound, and MRI unit equipment, and that is trained to interpret images produced by an MRI unit configured exclusively for mammographic studies;
 2. Its existing mammography equipment, breast ultrasound equipment, and the proposed dedicated breast MRI unit is in compliance with the federal Mammography Quality Standards Act;
 3. It is part of an existing healthcare system that provides comprehensive cancer care, including radiation oncology, medical oncology, surgical oncology and an established breast cancer treatment program that is based in the proposed service area.
 4. It has an existing relationship with an established collaborative team for the treatment of breast cancer that includes radiologists, pathologists, radiation oncologists, hematologist/oncologists, surgeons, obstetricians/gynecologists, and primary care providers.
- b. Dedicated fixed or mobile Extremity MRI Unit. An applicant proposing to institute a Dedicated fixed or mobile Extremity MRI Unit shall provide documentation of the total capacity of the proposed MRI Unit based on the number of days of operation each week, the number of days to be operated each year, the number of hours to be operated each day, and the average number of MRI procedures the unit is capable of performing each hour. The applicant shall then demonstrate that annual utilization of the proposed MRI Unit in the third year of operation is reasonably projected to be at least 80 per cent of the total capacity.
- c. Dedicated fixed or mobile Multi-position MRI Unit. An applicant proposing to institute a Dedicated fixed or mobile Multi-position MRI Unit shall provide documentation of the total capacity of the proposed MRI Unit based on the number of days of operation each week, the number of days to be operated each year, the number of hours to be operated each day, and the average number of MRI procedures the unit is capable of performing each hour. The applicant shall

then demonstrate that annual utilization of the proposed MRI Unit in the third year of operation is reasonably projected to be at least 80 per cent of the total capacity.

5. Separate Inventories for Specialty MRI Units and non-Specialty MRI Units. Breast, Extremity, and Multi-position MRI Units shall not be counted in the inventory of non-Specialty fixed or mobile MRI Units, and an inventory for each category of Specialty MRI Unit shall be counted and maintained separately. None of the Specialty MRI Units may be replaced with non-Specialty MRI fixed or mobile MRI Units and a Certificate of Need granted for any of these Specialty MRI Units shall have included on its face a statement to that effect. A non-Specialty fixed or mobile MRI Unit for which a CON is granted for Specialty MRI Unit purpose use-only shall be counted in the specific Specialty MRI Unit inventory and shall also have stated on the face of its Certificate of Need that it may not be used for non-Specialty MRI purposes.

The above criteria are not applicable not applicable.

6. Patient Safety and Quality of Care. The applicant shall provide evidence that any proposed MRI Unit is safe and effective for its proposed use.

- a. The United States Food and Drug Administration (FDA) must certify the proposed MRI Unit for clinical use.

The FDA approval letter for the MRI is provided in the application.

- b. The applicant should demonstrate that the proposed MRI Procedures will be offered in a physical environment that conforms to applicable federal standards, manufacturer's specifications, and licensing agencies' requirements.

The MRI is currently in operation and will continue with the same personnel and medical supervision in place.

- c. The applicant should demonstrate how emergencies within the MRI Unit facility will be managed in conformity with accepted medical practice.

The MRI is currently in operation and will continue with the same personnel and medical supervision in place

- d. The applicant should establish protocols that assure that all MRI Procedures performed are medically necessary and will not unnecessarily duplicate other services.

Protocols are established and will continue since the MRI is operational and will continue to be.

- e. An applicant proposing to acquire any MRI Unit, including Dedicated Breast and Extremity MRI Units, shall demonstrate that:

This is not a dedicated breast MRI.

- f. All applicants shall commit to obtain accreditation from the Joint Commission, the American College of Radiology, or a comparable accreditation authority for MRI within two years following operation of the proposed MRI Unit.

The unit is ACR accredited and will be transferred to BMG.

- g. All applicants should seek and document emergency transfer agreements with local area hospitals, as appropriate. An applicant's arrangements with its physician medical director must specify that said physician be an active member of the subject transfer agreement hospital medical staff.

All currently establish emergency agreements will continue.

7. The applicant should provide assurances that it will submit data in a timely fashion as requested by the HSDA to maintain the HSDA Equipment Registry.

BMG will continue to submit data in a timely fashion.

8. In light of Rule 0720-11.01, which lists the factors concerning need on which an application may be evaluated, and Principle No. 2 in the State Health Plan, "Every citizen should have reasonable access to health care," the HSDA may decide to give special consideration to an applicant:

- a. Who is offering the service in a medically underserved area as designated by the United States Health Resources and Services Administration;
- b. Who is a "safety net hospital" or a "children's hospital" as defined by the Bureau of TennCare Essential Access Hospital payment program; or
- c. Who provides a written commitment of intention to contract with at least one TennCare MCO and, if providing adult services, to participate in the Medicare program.

BMG participates in the Medicare and TennCare program.

The applicant contracts with service area MCOs AmeriGroup, UnitedHealth Care of River Valley, Inc., and BlueCross/BlueShield of Tennessee.